The Credit World

Only Magazine Devoted Exclusively to Retail Credit

TREAT YOUR CREDIT AS A SACRED TRUST

How Credit Executives Can Be Leaders

• • •

Retail Credit— A Six-Year Record

• • •

The Viewpoint of an Outsider

• • •

Collection of Public Utility Bills

• • •

Looking at Tomorrow's Credit Business

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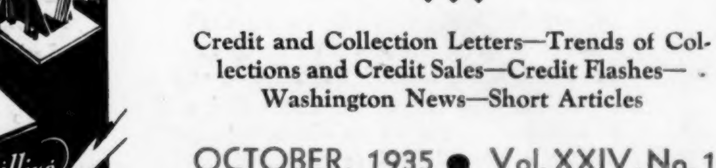
Credit Sales in the Fuel Field

• • •

Credit and Collection Letters—Trends of Collections and Credit Sales—Credit Flashes—Washington News—Short Articles

OCTOBER, 1935 ● Vol. XXIV, No. 1



The Credit Bureau—Guardian of Credit Records

The President's Message

GILES C. DRIVER

President, National Retail Credit Association
Credit Manager, The May Company, Cleveland

SINCE my ascendency to the presidency of the National Retail Credit Association, which honor I duly appreciate, I have been particularly fortunate in having close and cooperative contact with General Manager-Treasurer Crowder and the other executives of our National Office at St. Louis. This has enabled me to "get the pulse" of what is going on in retail credit circles all over the United States.

My reaction is that business is systematically building itself on an increasing and solid basis; there is indication that the consumer demand is constantly and consistently improving. The constructive credit manager of today is adjusting his personal views and the mechanics of his department to meet present-day business conditions.

I do not mean to infer by this that there should be the slightest let-down in the effort of the credit manager to keep his accounts liquid, but he constantly has to bear in mind that he is employed by his firm to make a profit and if he is to accomplish this end he has to adapt himself to local conditions—he must be versatile enough to meet emergencies which may arise from time to time.

It seems to me that the fact that there is a hue and cry for long-time credit on practically all classes of commodities, is a good sign. In other words, the merchants feel warranted in actively promoting sales and are relying upon their credit departments to assist in the all-important function of every store—*and that is to sell.*

The credit manager, however, if he is wise, and bearing in mind the best interests of his store and his customer, will not be swayed beyond the point of safety.

After all, as every credit man knows, there are certain fundamentals in the granting of credit, largely based upon the income and bill-paying record of the purchaser, and if we stray too far from the basic principles of credit we "kill the goose that lays the golden egg." The customer is booked beyond his ability to pay with any reasonable degree of promptness, and is automatically taken out of the market as an active buyer, the result being of no benefit either to him or the retail merchants.

My honest opinion is that the purchasing public themselves, now, finally having recovered from the strain and stress of the depression, have "learned their lesson"; that is, that they will be cautious in committing themselves to excessive credit buying, and particularly on a long-time basis. So, with a continued cooperative understanding between the seller and prospective credit purchaser, discussed in a friendly but firm manner, we will find that there will not be any appreciable amount of loose credit-buying or credit-granting.

The credit manager who is over-conservative, of course, retards the progress of sales and, therefore, is an expensive item to his store. On the other hand, if he is over-optimistic and is too generous in the granting of credit he is merely fooling himself! In the long run, there is a final day of accounting and while his sales may be showing, perhaps, an appreciable increase, his "write-off" voids the whole procedure so far as a profitable program is concerned and, in the final analysis, *fails to build good will.*

Let's all be constructively sales-minded and consistently profit-conscious.

Let's be modern but not *super* streamlined! Let's be conservative but not products of the "horse and buggy" days.

My hearty greetings and best wishes to all the members of the National Association and especially to the presidents, other officers and committees of the various districts, all of whom are planning aggressive membership campaigns!

Reports received thus far indicate a lot of enthusiasm and the possibilities of a splendid increase in our membership. The members of the National Office staff are anxious to be of every help and are now actively working out details.

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EDITORIAL COMMENT

By L. S. CROWDER

Retailers - - *In All Lines* - - Should Unite in Matters Affecting Retail Credit

RETAIL CREDIT is a matter of equal concern to all credit-granting retailers—*in all lines of retailing.* No credit executive should lose sight of that fact! For, if retailers in any one line of business "let down the bars" on credit, even on one line of merchandise, it is bound to affect the whole retail credit structure.

On the other hand, credit can be controlled most successfully—and credit losses curtailed most effectively—if credit granters in every line cooperate whole-heartedly in establishing and maintaining proper credit terms and stamping out credit abuses.

For this reason the National Retail Credit Association since its inception, has invited and embraced the membership of all classes of credit-granting retailers, without distinction or restriction.

Realizing that credit information, to be of value, must be complete, it has fostered the idea of local associations holding regular meetings for discussion of delinquent accounts and credit problems of mutual interest. Likewise, it has encouraged, constantly, the clearing of all credit information through the local credit bureau, that "the complete picture" might be available to all who extend retail credit.

It has been possible, because of our diversified membership, to accomplish much for the retailers in bettering credit conditions. For years this Association has sponsored educational campaigns to bring home to the consumer the importance of taking care of bills promptly. Through the columns of The CREDIT WORLD the retailers themselves have been educated to better credit understanding and methods, the credit policies and procedure from all sections of the country and from all lines of retailing having been published continuously for a period of twenty-three years.

Through National cooperation a great deal has been accomplished by retailers in all lines in the adoption of sound credit policies and the offering of sane credit terms in the building of sales.

Diversification of membership affords all retailers of a community an excellent opportunity to adopt a Community Credit Policy, standardizing credit terms, restricting merchandise returns and requiring a carrying charge on accounts not paid in accordance with prevailing terms.

It is important that credit executives or the retailers themselves, if they handle credits, meet regularly for the discussion of credit problems. Many of the ideas of credit managers of the larger establishments can be adopted by smaller retailers. Likewise, many ideas of the smaller merchants can often be utilized in the extension of credit, in the collection of accounts, locating skips, etc.

It is to the distinct advantage of the large stores to educate the small merchant, because he, in turn, will educate the consumer, who may eventually become a credit customer of the large store.

Because of our diversified membership, reaching from coast to coast, including all of the United States and Canada, and the cooperation of our membership *as a whole,* it has been possible through the years, notwithstanding the depression, to make a showing in credit sales and collections of which the credit fraternity is justly proud.

As a result of national cooperation, the Department of Commerce, starting in June, 1929, and continuing since, has published a credit survey which has been of inestimable benefit to the retailers of the country.

The National Association in 1931 was responsible for having Congress amend the Postal Laws to permit the giving of the address at which registered mail was delivered.

Some phases of bankruptcy, such as placing the addresses of voluntary bankrupts upon District Court dockets, have already been carried through. A definite bankruptcy program has been introduced in Congress and national legislative work is in charge of and being followed continuously by our Legislative Committee and Washington Counsel.

One of the proposed amendments seeks to establish a simple and economical way by which the wage-earner or salaried-class debtor can get the necessary time to pay his debts rather than be forced into voluntary bankruptcy.

In a great measure our organization was, with the cooperation of several other national organizations, responsible for the reduction of the local delivery first-class mail rates from 3c to 2c.

Consumer credit is the lifeblood of retail business. It affects, equally, all credit granters, large or small, in all lines of business. "United we stand—" should be the watchword of our members. And every member is urged to discard all thoughts of size or class and work to bring all credit granters into the fold—for the ultimate good of retail business.

National Membership Pays

IN RESPONSE to the question, "Do the San Francisco and Oakland Associations consider membership in the National worth $5.00 per year per member?" Mr. S. E. Shermantine, General Manager, Retailers Credit Associations of San Francisco and Oakland, California, (and President of the National Consumer Credit Reporting Corporation) replied:

"We experimented in Oakland about six years ago and took all members in. What we did was to merely add $1.00 per month to every member's bill. *We lost but one member out of about three hundred on that basis.* The other $7.00 goes to our local chapter for educational purposes for the year.

"We think it is good business because it has strengthened our organizations. Where we had an unused service (as we term it) in our contracts, amounting to as much as $800.00 to $900.00 a month, this has been reduced to about $200.00 a month and it has made a lot of difference in our operations. Greater interest has been created in buying reports, as indicated by the reduction of $700.00 a month, and we believe our local activities, plus The CREDIT WORLD, are justified."

The two associations now have a National membership of 669.

J. W. Mehling, General Manager, Retail Merchants Credit Bureau, Baltimore, asked to comment on the action of the Baltimore Association within the last year in making all credit bureau members National members, answered:

" 'In unity there is strength.' There is certainly need for 'strength' in administering retail credit.

"It therefore follows that united effort is absolutely vital in building up a National organization that will adequately protect the untold millions represented in the extension of credit by the retailer to the Nation's millions of ultimate consumers.

"There is need to elevate the standards of the profession; to make credit granting *a recognized profession,* attracting to its ranks a high grade personnel.

"There is also need for aggressive action, as well as watchfulness in the matter of National legislation which pertains to or which may affect retail credit granters.

"Baltimore felt that the National Retail Credit Association was attending to these needs, as well as its limited finances would permit, but felt that a more complete job could be done if all retail credit granters did their part. We, in Baltimore, realized from our own experience that there were many retail credit establishments which were not doing their part.

"This was clearly evidenced by the fact that we had in our credit managers' association only about one-third as many members as we had subscribers to the service of our credit bureau. Two-thirds of the users of our credit bureau service were getting a free ride, so to speak, in connection with the accomplishments of both the local and the National associations. *We felt that all should do their part, and for this reason decided that we would require all regular subscribers to our credit bureau service to become members of both the local and the National association.*

"The new arrangement was accepted by our members almost without question. It was necessary to explain it to some extent to a limited number, but less than 1 per cent offered any real objections, and only one subscriber refused to accept the new form of contract."

Past President Lawo of the Memphis Association outlined the procedure followed in increasing local and National memberships:

"An evening meeting of the Directors was called for the purpose of launching the drive, no plans having been made in advance. After much discussion it was agreed that each and every director would be captain of a team, and would be privileged to select as many members as he could induce to work on his team. This resulted in more or less of a scramble for the influential members of the Association, particularly those who had been successful in previous drives, and of course gave some impetus to the starting of the drive.

"It was agreed that the Association would pay $2.00 for each member brought in, and as an inducement to the captains to organize good teams and work hard it was agreed to award an extra dollar to any captain whose team brought in ten members, $2.00 extra if his team brought in twenty members, $3.00 extra for thirty members and $4.00 extra for forty members.

"In other words, if a team brought in forty members the individual workers who brought them in would get $2.00 for each new member, and the captain would get $4.00 for each member or a total of $160.00 for the captain. An extra dollar was added for the worker when subscription to the Special Service Bulletin was sold.

"The Service Bulletin goes to the members once a week, and is similar to the average bulletin sent out by local associations throughout the country. It gives a list of applications for credit turned down and the reasons therefor, a list of accounts suspended, addresses lost, current bad check operators, etc.

"Our dues are $15.00, $5.00 of which takes care of membership in the National, and subscription to the Service Bulletin is $6.00.

"When all other arguments failed to sell a prospect, solicitors were authorized to give him a written guarantee that he would collect at least $21.00 (the price of a membership including the Service Bulletin) if he would use fifteen sets of the Association's collection letters on that number of his debtors, each one owing $10.00 or more. The Association furnished the letters and envelopes.

"These collection letters sell regularly to members at one cent each. Solicitors were equipped with a copy of one of our Service Bulletins, a series of the collection letters, a copy of The CREDIT WORLD, a printed pamphlet giving briefly the benefits of membership and showing the accomplishments of the local and National associations in the interest of retail credit granters. Also a large envelope containing the articles the National was offering during the drive for new members.

"One of the captains gave the entire premium to the workers on his team and this team brought in thirty new members, fourteen having been brought in by one member. An individual on another team brought in twenty-one new members. The Association agreed to pay for a luncheon for any team that cared to have a luncheon meeting, providing the team brought in ten new members. It was agreed to pay for two luncheons for any team that brought in twenty new members, and three luncheons for thirty new members.

"The drive was successful, our goal having been fifty new members, and resulted in the addition of sixty-one new members."

(*Continued on page* 30.)

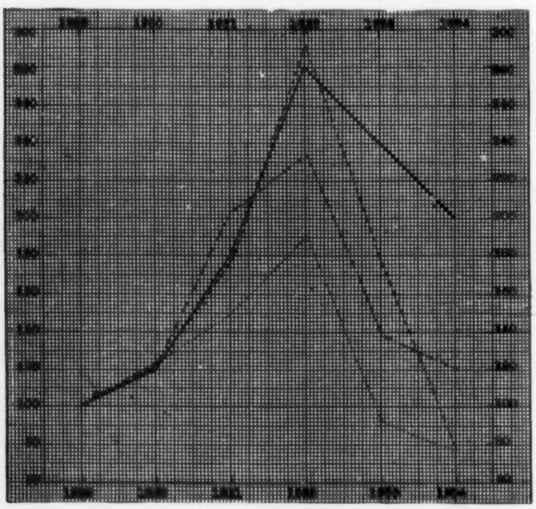
Retail Credit--A Six-Year Record

By HARVEY W. HUEGY
Instructor in Credits and Collections, University of Illinois

"THE proof of the pudding is in the eating." As the ultimate test of the goodness of the pudding lies in its disappearance so the ultimate test of the goodness of credit is the manner in which it is liquidated. If credit is used excessively, or accepted unwisely, the proof of the error is furnished by the failure of this credit to be liquidated as it should. An intermediate test of the effects of improper credit extension is afforded by its contribution to economic instability, that is, by excessive use

CHART I.

Index Numbers of Bad Debt Losses on Open Credit and Installment Credit Accounts, and of Per Cent of Repossessions of New and Used Automobiles.



KEY:
Bad Debt Losses on Open Credit Accounts ————————
Bad Debt Losses on Installment Credit Accounts - - - - - - - -
Per Cent of Repossessions, New Automobiles . . . .
Per Cent of Repossessions, Used Automobiles - . - . - . - . -

overstimulating expansions and by precipitous decline in use further depressing contractions.

Facts showing the behavior of retail credit during the six-year period from 1929 to 1935 are now available from the retail credit surveys of the United States Department of Commerce. During this period the record goes from prosperity, through the worst of depression, and starts back (?) up the long road toward recovery. The manner in which retail credit has behaved during this time is accordingly of particular significance to those interested in credit.

The figures presented by the retail credit surveys make it possible to test the behavior of retail credit in respect to:

1. Liquidation results, or collections and bad debt losses.

2. Stability, or extent of use.

Table I (bottom of next page) shows a compilation of bad debt loss percentages on open credit accounts (ordinary accounts receivable), on installment credit accounts (sales made on installment terms), and as check figures, the percentage of repossessions of new and used automobiles. Another indication of the liquidation results is obtained by figures for collection percentages. These are shown as percentages collected monthly on open credit accounts and on installment credit accounts.

All of the figures are further reduced to a common and comparable basis by taking the figure for 1929 as equal to 100 and making simple index numbers for each of the subsequent years all relative to the common base year. These index numbers are presented graphically in *Charts I and II.*

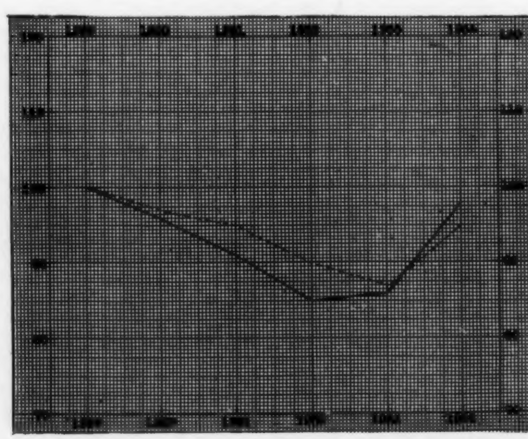
Looking at *Chart I,* which charts bad debt losses and repossessions, it may be seen that all four of the indices reach a peak in 1932. On the basis of bad debt losses, this year represents the worst year for retail credit.

It is also significant to notice how closely open account and installment account figures run together until 1932, after which the improvement in bad debt losses on installment accounts is much more marked. The figures for automobile repossessions follow an almost parallel course although the increase in repossessions is less marked than in the case of bad debt losses.

Chart II, which charts the collection percentages, shows very similar results, although here the collection percentage on installment accounts does not show improvement until 1933. This is probably due to the increased sales being made on an installment-account basis during the year 1933 and the consequent lowering of the collection percentage because of the larger volume of outstandings with longer maturities.

CHART II.

Index Numbers of Per Cent Collected Monthly on Open Credit Accounts and Installment Credit Accounts.



KEY:
Per Cent Collected Monthly on Open Credit Accounts ————————
Per Cent Collected Monthly on Installment Credit Accounts - - - - - - - - - -

Another conclusion which may be drawn from an examination of the relative increase of bad debt losses is that installment credit deteriorated less during the six years than did open account credit. In other words, bad debt losses on installment accounts did not increase in as great a proportion as on open accounts.

It should, however, be noted that the actual losses are considerably larger—increasing on installment accounts from 2.3 per cent in 1929 to 6.7 per cent in 1932, and on open accounts from 0.5 per cent in 1929 to 1.4 per cent in 1932—the index number rising from 100 to 280 for open accounts and from 100 to 291 on installment accounts, subsequently dropping to 200 on open accounts in 1934 and to 78 on installment accounts in 1934. Thus although total losses on installment accounts are considerably larger, because of the more liberal credit standards and the lower grade of credit accepted on these terms, the liquidation results are better.

The second test of credit behavior is supplied by changes in the extent of its use relative to the total sales. The data for these tests are given in *Table II* (next page) by figures showing the percentages of sales for cash, on open account and on installment account; and the percentage of automobiles sold on installment terms. These figures are also reduced to a common and comparable base by again taking 1929 as the base equal to 100 and making simple index numbers for each of the subsequent years. These index numbers are presented graphically in *Chart III.*

During the six-year period the index of sales for cash increased from 100 in 1929 to 114 in 1932, the percentage being 41.7 per cent in 1929 and 47.6 per cent in 1932. While cash sales were increasing, the index of sales on open account fell from 100 in 1929 to 91 in 1933, the percentage being 47.0 per cent in 1929 and 42.6 per cent in 1933. The installment sales index also fell from 100 in 1929 to 84 in 1932, the percentage being 11.3 per cent in 1929 and 9.5 per cent in 1932.

From the low point in 1933 open account sales recovered to 100 in 1934 and installment sales to 95 in 1934. The upturn in installment sales occurred one year before the upturn in open account sales. The relative proportions of open account, cash and installment sales in 1934 is almost the same as it was in 1929. The figures for percentages of automobiles sold on installment terms show almost the same movement as those for installment account sales, although they declined later and then dropped further.

Without any desire to draw more extensive conclusions than would be justified by the data upon which they are based we may attempt to make some general comments upon the results pictured here.

1. Retail credit, although showing wide fluctuations over the six-year period, actually suffered but a very small percentage of deterioration as measured by bad debt losses. It is extremely doubtful if any other asset in which merchants' funds were invested depreciated as little as the 0.9 per cent depreciation suffered by the open accounts receivable asset or even the 4.4 per cent depreciation in the asset installment accounts receivable.

2. The liquidity of the asset is shown by the fact that the collection percentages decreased but 15 per cent on open accounts and 13 per cent on installment accounts. This means an increase in the days required to collect on open accounts receivable of 13 days, from 70 days in 1929 to 83 days in 1932; and on installment accounts receivable, from 197 days in 1929 to 227 days in 1933, or 30 days increase. This small delay in turning the asset into cash, plus the small depreciation suffered in liquidation, speaks very favorably for the value stability of these assets.

3. The fact that sales are not very adversely affected by customers' reluctance to buy on credit terms is indicated by the very small decrease in the use of credit during the entire period. Although total sales decreased greatly *there was not a very marked decrease in the proportion of sales* made for cash and on credit terms.

4. The marked similarity of the movement of the figures for installment account credit and open account credit, and the fact that bad debt losses and collection percentages are slightly more favorable for credit on in-

Table I—Bad Debt Losses, Repossessions and Collection Percentages

Per Cent:	1929	1930	1931	1932	1933	1934
Bad Debt Losses on Open Credit Accounts	.5	.6	.9	1.4	1.2	1.0
Bad Debt Losses on Installment Credit Accounts	2.3	2.8	4.1	6.7	4.1	1.8
Repossessions, New Automobiles	3.0	3.7	4.5	5.7	2.8	2.3
Repossessions, Used Automobiles	5.6	6.9	11.4	13.1	7.8	6.8
Collected Monthly on Open Credit Accounts	42.7	41.3	38.9	36.2	36.7	41.9
Collected Monthly on Installment Credit Accounts	15.2	14.7	14.5	13.6	13.2	14.5
Index Numbers:						
Bad Debt Losses on Open Credit Accounts	100	120	180	280	240	200
Bad Debt Losses on Installment Credit Accounts	100	122	178	291	178	78
Repossessions, New Automobiles	100	123	150	190	93	77
Repossessions, Used Automobiles	100	123	203	234	139	121
Collected Monthly on Open Credit Accounts	100	96	91	85	86	98
Collected Monthly on Installment Credit Accounts	100	97	95	90	87	95

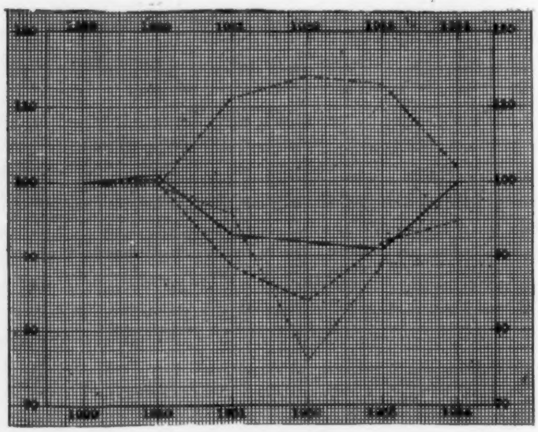
Sources of Data: Figures for bad debt losses and per cent collected monthly taken from the retail credit surveys of the United States Department of Commerce—semiannual reports averaged to put on an annual basis for the years 1929, 1930, 1931, 1932 and 1933. Annual figures for the year 1934.

Figures for per cent of repossessions, new and used automobiles taken from the Composite Experience of Sales Finance Companies and Automobile Dealers—May 14, 1935, letter of the National Association of Sales Finance Companies.

stallment terms than for credit on open account terms, show that the newer form of credit lost less liquidity and suffered less depreciation than its more generally respected

CHART III.

Index Numbers of Per Cent of Sales for Cash, Open Account and Installment Account, and of Automobiles Sold on Installment Terms.



KEY:
Per Cent of Sales for Cash - - - - - - - - -
Per Cent of Sales on Open Account ————————
Per Cent of Sales on Installment Account – – – – – – – –
Per Cent of Automobiles on Installment Terms . . . .

fellow. Certainly the fear that careless and unjustified extension of installment credit would cause future disaster is not supported by the record.

5. The examination of all the evidence indicates that retail credit showed remarkable liquidity during the six-year period. As the test of the work of the credit man comes in the liquidation of the credit extended (and the test of the soundness of credit comes from the same source), we can say that retail credit granters and the institution of retail credit have, on the basis of this evidence, once more proved themselves.

6. The evidence also shows that retail credit did not contribute materially to instability during the period. The extent of its use during 1930 was the same as in 1929 which would remove it from consideration as causing the decline in trade during that year. From 1930 to 1932 it showed but a slight and gradual decline and in 1933 and 1934 was once more used about as extensively as in prior years. Apparently its contribution to economic instability was at the most *minor rather than major.*

"Very Good Results With N. R. C. A. Inactive Account Stickers," Says Louis Selig

"We use these N. R. C. A. inactive stickers on our inactive statements each month and have had very good results," Louis Selig, Credit Manager-Controller of Rosenfield Dry Goods Co., Baton Rouge, La., told the Department Store Group Conference at the National Convention in Rochester.

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Your Account Is Balanced!

▾▾

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Use Your Charge Account!

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We Missed You Last Month!

▾▾

Anything wrong? If so, please give us a chance to correct it.

We Value Your Patronage!

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Table II—Extent of Use of Cash, Open Account and Installment Terms

	Year					
Per Cent:	1929	1930	1931	1932	1933	1934
Sales for Cash	41.7	41.5	46.2	47.6	47.0	42.5
Sales on Open Account	47.0	47.3	43.8	43.0	42.6	46.8
Sales on Installment Account	11.3	11.3	10.1	9.5	10.4	10.7
Automobiles Sold on Installment Terms	64.0	63.8	61.3	48.6	56.8	56.8
Index Numbers:						
Sales for Cash	100	100	111	114	113	102
Sales on Open Account	100	101	93	92	91	100
Sales on Installment Account	100	100	89	84	92	95
Automobiles Sold on Installment Terms	100	100	96	76	89	89

SOURCES OF DATA: Figures for the per cent of sales for cash on open account and on installment account taken from the retail credit survey of the United States Department of Commerce—semiannual reports averaged to put on an annual basis for the years 1929, 1930, 1931, 1932 and 1933. Annual figure for the year 1934.

Figures for the per cent of automobiles sold on installment terms taken from the Composite Experience of Sales Finance Companies and Automobile Dealers—May 14, 1935, letter of the National Association of Sales Finance Companies.

The Viewpoint *of an* Outsider

By WILLARD D. HART

Retail News Editor, Fairchild Publications, New York City

I WONDER how many of you realize the golden opportunity that the present time affords you. It is my belief that right now each of you has the opportunity of becoming one of the real business builders of your organization.

The National Retail Credit Association, its affiliated credit bureaus and other aids, have more or less eliminated the necessity for you to give so much of your time

Editor's Note:

This article consists of extracts from an address delivered at the Twenty-Second Annual Convention of the National Retail Credit Association, Rochester, N. Y., June 18-21, 1935.

Mr. Hart's "outside" viewpoint of the importance of the credit executive in the retail picture is very interesting—likewise his frank comments on collection letters.

to the actual control of your collection and loss worries.

Your wonderful record during these years of depression—when your collection percentages fell only slightly and your losses increased only slightly—is something you might very well be proud of. And going a step further, realizing that your collections and losses are about back to normal should make you feel doubly proud!

However, don't sit complacently in your chair and feel that Utopia has been achieved. Your real work is just beginning. Don't rest on your laurels. Your fine collection percentages and insignificant losses of today are forgotten tomorrow, unless you continue them! Just as in my profession a front-page "scoop" today is but a passing moment of self-satisfaction. I must think of the next issue of the paper and seek a new scoop.

As I see the picture, the credit executive of today is in a position to be one of the most vital forces in retail establishments. With all of the present-day aids in the prevention of losses at your command, you should now have ample time to broaden the scope of your duties.

The set-up of many stores puts the adjustment department under the supervision of the store manager and the handling of direct-mail promotion under the supervision of the advertising division. The live credit manager of today can be the logical one to supervise both these departments.

A great deal of the direct-by-mail matter sent out by stores takes the form of bill inserts. You, as credit manager, should certainly be best fitted to determine what should be inserted in the bills.

You can play a big part in customer control. (By an analysis of accounts you can avoid the sending of a girdle insert to masculine customers.) You can determine in what department various accounts are purchasing and make a drive for their patronage in those departments they seem to be neglecting.

The need for adjusting difficulties due to wrong posting, charge account returns, etc., to my mind, centers the adjustment department function directly under the supervision of the credit manager. The experience of the credit manager in the tactful handling of situations can well be applied to the handling of adjustments that will give satisfaction to the customer and retain her good will for the store.

Enough of that. Now, let me reflect on the collection of accounts. I am not going to attempt to tell you how to make collections, but I simply want to emphasize a few points that have occurred to me.

So many collection letters are sarcastic. Threats are made in others. This year a bill was introduced in the New York Legislature making it a misdemeanor for any person to write a letter which threatens to impair the credit or financial standing of the debtor. It was passed by both the Assembly and the Senate, but was fortunately vetoed by the governor who, in his message, stated that it would interfere with the legitimate operation of business, trade associations and credit bureaus.

However, the governor stated that *certain types of collection agencies* which are *making such threats* should be subject to legislation to prevent them from doing so, and if such a bill came to his attention he would gladly sign it!

The point involved in this bill referred to the making of threats which are not carried out by many credit and collection managers. When, in collecting a bill, you threaten to sue a man and do not do so, you make him callous to future threats. Too many threats are made which are never carried out but, inasmuch as these threats come to the attention of the lawmakers—unless a little restraint is used—it is quite possible that legislation will be passed in many states which will make the collection of delinquent accounts much more difficult than at present.

"Quotes":

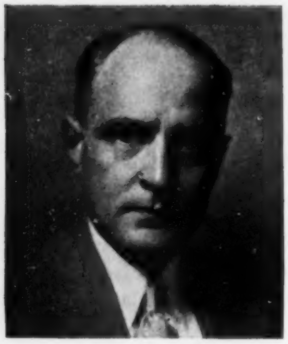
"Try to select collection letters that fit your own business; that collect money and still retain the good will of the customer."

* * * * * *

"Letters that are written with a sales appeal will get as good results and will have more lasting qualities than the hard-boiled kind."

You can hardly pick up a business magazine any more without seeing reproduced a collection letter which is supposed to have worked wonders for the firm which originated it. It is true that some of these letters may be all right for the type of firms which use them, but many of them if used in another type of business would arouse resentment on the part of the recipient.

(*Continued on page* 32.)



Looking at *Tomorrow's* Credit Business

By GUY H. HULSE
Executive Vice-President and General Manager, National Consumer Credit Reporting Corporation, St. Louis, Mo.

WHATEVER consumer credit has been in the past will be insignificant to what it will be in the future. Where in the past it has been an adjunct to business, it is certain to be the motivating force for business which is coming. Not only will retail business be more dependent upon it, but the Governmental agencies which have sprung up to fit into the National Recovery plans have designed many of their operations around the use of consumer credit.

The great problem of the moment is to find ways and means to restore the permanent income status of some of those countless millions of workers that world-wide economic disruption has forced away from their former weekly or monthly pay envelopes. As these rejuvenated workers come back, they will be spending. Many of their needs will have been accumulated for months or years. Certain of their retail purchases will be for necessity goods, such as furniture and other items that require more cash outlay than one or two paydays can supply. Consumer credit will be the sole medium of purchase, and as such, a great necessity.

The retailers, seeing the opportunity to sell, and understanding the circumstances, will realize that credit is the only way open to consummate such prospective sales. The problem of evaluating the risk inevitably comes to the desk of the credit executive. The decision which he must make is not an easy one. He weighs the position of the management. Here is a new sales outlet—a new income earner is restored to the consumer field.

Against this reasoning he weighs a potential threat of credit loss. It is the responsibility of this executive to weigh the facts and decide the course. He acts very much as a trust officer in a bank. He has a fiduciary position. He must protect his employer from the ever-threatening losses arising from those who receive, but misuse, credit.

The wise credit executive will not allow himself to be biased by the fact that the prospective purchaser has been on the relief rolls. In his study of the application for credit, he should span the period of the worker's inactivity to determine what manner of man he was when he was working. *How did he meet his obligations then? Did he do the best he could to pay his bills promptly?* What he has done may be safely taken in most cases as a guide to what he will do.

Some believe there may be a gamble in consumer credit extension of the future, due to the fact that few know how the depression has affected the mass of unemployed who have been separated from their former incomes through no fault of their own. Neither can anyone say with authority just what will be the result of those experiences upon the masses. That problem is for future solution. It will be encountered, however, as the initial waves of unemployed return to work and resume their former rôles as buyers of necessity and luxury goods in the retailing field.

There will not be any more gamble in the future than existed before. Some of the risk can be sensed—therefore, anticipated. All of the risk can, and will be, evaluated by the wise credit executive. This eliminates the gamble and continues consumer credit on the same sound basis which it enjoyed before and during the depression.

It is true that some of the relief population have grown to feel that they must be supported in the same style as they were accustomed to enjoy. It is logical for that class to believe that they should continue to be "spoon-fed" for the remainder of their lives. "Something for nothing" is, and will continue to be, their motto.

They will cause most of the trouble of the future to credit granters. But because they will have left a well-marked trail of such traits behind them, it will be easy for the observant investigator to see the signs that classify the applicant for credit as unfavorable.

The return of worth-while purchasers to the counters of retail stores will, however, present a credit problem due to the movements which many of these people have made. Our population is fast copying the mobility of the Arabs in their deserts. Literally thousands of families have taken to their five-, or ten-year-old cars and have shuffled from one place to another on that aimless and mostly hopeless hunt for a sustaining income. Some succeeded. Some went broke. Some were rescued on the relief rolls. Eventually some will climb out of their valley of hard luck.

Thus, when such a prospective purchaser wants to buy, and credit investigations become essential, it is likely that his travels will have brought him many miles from his former residence where, in his working days, he had some standing. This is the new situation which will require constructive planning for quick, efficient, and profitable consumer credit extension.

The Government is making use of this business accelerator—consumer credit. The Government is in business. It always has been. Most people have never realized the fact. For example, internal and external protection is a business; the transmission of the mails and the collection of taxes are others. Hundreds of equally recognizable cases could be cited. We look upon these as proper Government functions. Yet its entrance into many and varied lines of business under the guise of a

(*Continued on page* 30.)

August Trends - - A Fast-Reading Summary

. . . A Nation-wide cross section of facts and opinions on retail collections and credit sales for August, 1935, as compared with August, 1934, compiled by Research Division - - National Retail Credit Association . . .

ALL cities reporting their August credit sales and collections figures to the Research Division were very optimistic for an excellent fall business.

Business in the central part of Maine appears to be improving steadily. Shoe factories, while manufacturing a cheaper grade of shoes than several years ago, are all operating although on a much reduced schedule. The textile situation shows a slight improvement and the summer tourist trade has been better than a year ago. However, tourists were reported as not spending as much money as they have been in years past.

High-Lights for August

61 Cities reporting.
19,873 Retail stores represented.

COLLECTIONS

55 Cities reported increases.
5.7% Was the average increase for all cities.
33.9% Was the greatest increase (Springfield, Ohio).
6 Cities reported decreases.
25.0% Was the greatest decrease (Idaho Falls, Idaho).

CREDIT SALES

56 Cities reported increases.
9.6% Was the average increase for all cities.
38.1% Was the greatest increase (Springfield, Ohio).
4 Cities reported no change.
1 City reported a decrease (7.0%, Grand Rapids, Mich.).

Manchester, N. H., reported their collections decreased 10 per cent when compared with August, 1934, due to an almost complete closing of textile plants. The shoe industry, however, is operating on full schedule.

Collections were only fair in the New York and Pennsylvania area, while credit sales were good. Syracuse reported that credit sales were exceptionally good with an increase of 11.0 per cent.

Charlotte, N. C., reported an increase in collections of 6.4 per cent due to the continued pressure and efforts of credit managers during the previous month.

Assistance from government channels such as the Federal Housing Act and the Home Owners Loan Corporation and other agencies has created an increased circulation of funds in Charleston, S. C. This resulted in a 10 per cent increase in collections and a 5 per cent increase in credit sales. Increased activity has been noted in electrical and refrigeration equipment sold on installment. Sales from these lines equal those of 1930.

Hutchinson, Kan., expects an increase in credit sales during the early fall due to abundant rain during the latter half of August. . . . Paducah, Ky., reported the greatest increase (16 per cent) in collections of any city located in the Arkansas, Kentucky, Kansas, Missouri and Tennessee area.

Business in St. Louis holds up splendidly. A review of the representative houses shows a continued increase in credit volume; average increase in credit sales was 15 per cent. In some of the large specialty stores, particularly men's apparel, an increase has been very noticeable —from 32 to 40 per cent. Fall buying of general merchandise as well as wearing apparel requirements is moving along quite swiftly, and prospects are continued good with increased volume.

This steady increase in volume, which was observed during the entire year, is accompanied by improvements in collections. The turnover in accounts receivable for the St. Louis area has, for the twenty-second month, shown better collection percentage figures than for the same month of the previous year. The average improvement is quite steady, for August, 1935, collections will show an average improvement over August, 1934, of about 3 per cent with 5 and 6 per cent increases in some quarters.

Month-by-Month Comparison - - August, 1935 vs. July, 1935

	Collections				Credit Sales			
	August, 1935		July, 1935		August, 1935		July, 1935	
	Cities	Per Cent of Total	Cities	Per Cent of Total	Cities	Per Cent of Total	Cities	Per Cent of Total
Good	38	62.3	28	56.0	35	57.4	36	72.0
Fair	19	31.1	19	38.0	25	41.0	12	24.0
Slow	4	6.6	3	6.0	1	1.6	2	4.0
Total	61	100.0	50	100.0	61	100.0	50	100.0
Increase	55	90.1	43	86.0	56	91.8	43	86.0
Decrease	6	9.9	4	8.0	1	1.6	2	4.0
No Change	—	——	3	6.0	4	6.6	5	10.0
Total	61	100.0	50	100.0	61	100.0	50	100.0

Peoria, Ill., reported their collections slow to fair although they show an increase in collections of 8.3 per cent. . . . Bay City, Mich., reported collections "only fair," due to vacations. Mount Clemens, Mich., reported a decrease in collections of 2.0 per cent due to unemployment. An increase in factory operations is expected in October. . . . In Ohio, Cincinnati reported an increase in credit sales of 21.7 per cent. Conditions in Springfield, Ohio, were accentuated by an increase in employment of 5.1 per cent, savings deposits of 21.1 per cent, postal receipts of 3.0 per cent and in new car sales of 19.7 per cent besides a substantial increase in installations of gas and electric meters.

In Iowa, Sioux City's new policy of adding a carrying charge on past due accounts helped collections considerably during the past month. Davenport, Iowa, reported an increase of 18.7 per cent in credit sales.

Tulsa reported collections and credit sales fair to good, collections showing an increase of 2.0 per cent, while credit sales showed an average increase of 14.7 per cent. Department stores reported gains of from 12.2 to 15 per cent in credit sales, while ladies' ready-to-wear stores reported greatest increases in this classification—one reporting a gain of 49.3 per cent.

Prospects for fall crops and wheat planting appear good in the Amarillo area due to recent rains in the Texas Panhandle. Credit sales in Fort Worth increased 29.6 per cent and Houston 16.5 per cent, over August, 1934. August sales in Borger, Texas, were considerably less than July sales of this year. This is attributed to vacations, slowing up of refrigerator sales and prospective early changes in automobile models.

Collections in Denver, while showing a slight increase, have not kept pace with credit sales. Cheyenne reported that there is some activity shown in payment of old accounts that have been lying dormant for the past few years. Casper reported an increase in credit sales of 20 per cent due to favorable weather conditions. Unemployment, however, continues as a retarding factor. Taking all factors into consideration, the cities located in the Colorado, Utah, and Wyoming area are very optimistic regarding the immediate future.

Idaho Falls, Idaho, reported credit sales fair. However, collections were slow with a decrease of 25 per cent. Lewiston, Idaho, reported considerable improvement in almost all lines.

Collections and credit sales continued to increase in San Diego, Calif., the Exposition City. Santa Barbara, however, reported a slight decrease in collections probably due to additional sales volume. The tourist trade was exceptionally heavy during August. San Francisco reported credit sales good with an increase of 10 per cent over the previous year.

In Canada, Victoria, B. C., reported an increase in credit sales of 5 per cent. The local lumber mills reduced their operations during August but the tourist business showed a large increase—*approximately 30 per cent.*

Comparative Reports - - By Cities - - August, 1935 vs. August, 1934

District and City	Collections	Increase or Decrease	Credit Sales	Increase or Decrease
1. Augusta, Me.	Fair	+10.0	Fair	+10.0
Lewiston, Me.	Fair	+ .5	Fair	+ .1
Worcester, Mass.	Fair	+ . . .	Fair	+ . . .
Manchester, N. H.	Slow	−10.0	Fair	No change
Providence, R. I.	Fair	+ 1.0	Fair	+ 5.0
Average	*Fair*	+ .3	*Fair*	+ 3.0
2. New York, N. Y.	Good	+ .1	Good	+ . . .
Rochester, N. Y.	Good	+ 2.5	Good	+ 7.0
Schenectady, N. Y.	Good	+ 8.3	Good	+ 7.0
Syracuse, N. Y.	Good	+ 5.0	Good	+11.0
Utica, N. Y.	Good	+ 5.0	Good	+10.0
Erie, Pa.	Good	+ 3.0	Fair	No change
Pittsburgh, Pa.	Good	+ 4.0	Good	+ 5.0
Average	*Good*	+ 4.0	*Good*	+ 5.7
3. Charleston, W. Va.	Fair	+ 2.5	Fair	+ 8.5
Charlotte, N. C.	Good	+ 6.4	Fair	+ 2.3
Average	*Good*	+ 4.4	*Fair*	+ 5.4
4. Birmingham, Ala.	Good	+11.6	Fair	+ 8.6
Jacksonville, Fla.	Fair	+10.0	Fair	+15.0
Orlando, Fla.	Fair	+15.0	Good	+25.0
Jackson, Miss.	Good	+ . . .	Fair	+ . . .
Charleston, S. C.	Fair	+10.0	Fair	+ 5.0
Average	*Fair*	+ 9.7	*Fair*	+10.7
5. Fort Smith, Ark.	Fair	− 1.0	Fair	+ 5.0
Little Rock, Ark.	Good	+ 5.0	Good	+10.0
Hutchinson, Kan.	Good	+15.3	Good	+ 9.6
Paducah, Ky.	Good	+16.0	Good	+12.0
St. Louis, Mo.	Good	+ 3.0	Good	+15.0
Nashville, Tenn.	Good	+ 3.5	Good	+14.8
Average	*Good*	+ 7.0	*Good*	+11.1
6. Joliet, Ill.	Slow	+ 1.0	Good	+ 2.0
Peoria, Ill.	Fair	+ 8.3	Fair	No change
Muncie, Ind.	Fair	+23.0	Fair	+21.5
Bay City, Mich.	Fair	+ . . .	Fair	+ . . .
Detroit, Mich.	Good	+ 7.8	Good	+11.2
Grand Rapids, Mich.	Good	+ .5	Good	− 7.0
Mount Clemens, Mich.	Slow	− 2.0	Slow	No change
Cincinnati, Ohio	Good	+10.4	Good	+21.7
Dayton, Ohio	Good	+ 9.8	Good	+10.6
Springfield, Ohio	Good	+33.9	Good	+38.1
Toledo, Ohio	Good	+11.0	Good	+15.0
Average	*Good*	+ 9.4	*Good*	+10.3
7. Cedar Rapids, Ia.	Good	+ 5.0	Good	+ 7.0
Davenport, Ia.	Good	+ 6.8	Good	+18.7
Sioux City, Ia.	Good	+ 2.0	Fair	+ . . .
St. Paul, Minn.	Fair	+ 2.6	Fair	+ 5.7
Lincoln, Neb.	Good	+ 5.9	Good	+28.7
Omaha, Neb.	Good	+ 7.5	Good	+ 5.0
Average	*Good*	+ 5.0	*Good*	+10.9
8. Tulsa, Okla.	Fair	+ 2.0	Good	+14.7
Amarillo, Tex.	Good	+10.9	Fair	+ 6.7
Austin, Tex.	Good	+ 1.7	Good	+12.2
Borger, Tex.	Good	+10.0	Fair	+ 5.0
Fort Worth, Tex.	Good	+ 8.7	Good	+29.6
Houston, Tex.	Good	+ 6.5	Good	+16.5
San Antonio, Tex.	Good	+ 2.5	Good	+ 2.0
Average	*Good*	+ 6.0	*Good*	+11.0
9. Boulder, Colo.	Fair	+10.0	Fair	+ 7.5
Denver, Colo.	Fair	+ 1.8	Fair	+ 4.4
Salt Lake City, Utah	Good	− 1.0	Good	+ 2.0
Casper, Wyo.	Fair	+15.0	Fair	+20.0
Cheyenne, Wyo.	Good	+10.0	Good	+15.0
Average	*Fair*	+ 7.1	*Good*	+ 9.8
10. Idaho Falls, Idaho	Slow	−25.0	Fair	+25.0
Lewiston, Idaho	Fair	+ 5.0	Fair	+15.0
Average	*Slow*	−10.0	*Fair*	+20.0
11. San Diego, Calif.	Good	+23.0	Good	+18.0
San Francisco, Calif.	Good	+ 2.0	Good	+10.0
Santa Barbara, Calif.	Fair	− 2.0	Good	+15.0
Average	*Good*	+ 7.3	*Good*	+14.3
12. Victoria, B. C.	Good	+ 5.0	Good	+ 5.0
Winnipeg, Man.	Good	+ . . .	Good	+ . . .
Average	*Good*	+ 2.5	*Good*	+ 2.5

"Unauthorized Practice of Law"--A Report

By L. S. McDANIEL

General Counsel, National Retail Credit Association

General Counsel McDaniel attended the annual convention of the American Bar Association, Los Angeles, July 16-19, 1935, representing this Association and its members.

SIGNIFICANT is the following taken from the annual report of the Committee on Unauthorized Practice of Law of the American Bar Association and approved by the annual convention of the Association at Los Angeles in July, 1935:

"Laymen cannot effectively practice law, to any considerable extent, without the cooperation and active participation of a lawyer.

"There is no longer doubt that an attorney who cooperates and participates in the unlawful practice of law is guilty of unprofessional conduct constituting ground for his discipline. (See, among other cases, *In Re Otterness, 181 Minn. 254, 232 N. W. 318.*)

"State associations are becoming alive to this phase of the unlawful practice of the law and increasingly conscious of the effective weapon for the elimination of illegal practice which the discipline of offending lawyers gives them.

"In its Year Book (1934)—the last one issued—the New York County Lawyers' Association's Committee on Discipline, on page 211, says:

" 'There is no doubt that, in many instances, what is in effect practice of law by laymen or corporations is made possible by the cooperation of members of the Bar despite their own Canon of Ethics proscribing all direction or dictation of legal service by intermediaries, and requiring the relation of attorney and client to be direct, unmediated and personal. In matters where the unlawful practice of law has involved participation or cooperation by attorneys with the offending layman, this committee has always been ready to aid in every possible way the work of the Association's Committee on the Unlawful Practice of the Law.'

"This committee has referred to, and commented upon, the matter in its earlier report.

"The committee feels that, in many cases, much less heat will be engendered if, where possible, unlawful practice of the law is eliminated by direct action upon the lawyer involved, rather than by action against the layman. Oftentimes, it may be debatable whether the result accomplished by action against an unlawful practitioner compensates for the resentment and hostility aroused in an affected group, and, sometimes, in the local public mind. Too often, unlawful practice which clearly ought to be stopped is tolerated because of the fear that such reactions will occur.

"Much more prompt, more constructively accomplished, and more effective elimination of the unlawful practice of law can be achieved if energetic and aggressive steps are taken to eliminate all participation, cooperation, or connivance therein by lawyers; and the committee has decided to urge each local association to adopt the policy of severely disciplining all such lawyers; and to urge this Association to use its best endeavors, and all its available agencies, to induce all local associations to adopt and pursue the policy referred to.

"Unlawful practice which does not have the stamp of sanction, and the presumption of quality, flowing from performance by one licensed to practice, will be much more vulnerable, will succumb much more readily to attack and will not have the public favor. It is clearly in the public interest to have legal service performed by licensed lawyers; and no one knows it better than does the public. The public never will long accept legal service performed by laymen unassisted by licensed practitioners."

You will note from the above quotation from the report that the American Bar Association and local associations will use a different form of procedure than heretofore used. It developed during the argument and discussion that in many instances when a bureau, collection agency or other organization was under investigation by the Bar Association that the organization would consult its attorney regarding the investigation and the attorney would advise the organization to ignore the Bar Association, with the result that action was taken against the organization and the organization was put to the trouble and expense of defending itself. Under the proposed procedure, if the attorney is disciplined, then the expense and undesirable publicity will be his and not the organization's.

Every member of this organization is again advised to immediately take up with his local Bar Association their set-up, and manner and method of doing business, and work with the Bar Association in so arranging the set-up as not to come under the classification of "unauthorized practice of law."

The members of our organization must have in mind at all times the almost utter futility of defending actions brought by a Bar Association. These actions are brought by lawyers and tried by lawyers who sit on the bench. Many times the judge on the bench owes his election to the support of the local Bar Association and those who do not owe their election to the support of the local Bar Association have in mind their next campaign and seek the favorable recommendation of their local Bar Association.

It may be that a Bar Association has lost some of the actions brought against corporations or individuals. However, in my collection of cases, which I think is complete, I only find one case decided against a Bar Association in the entire United States.

Hence, the advice that the members of our organization make a working agreement with their local Bar Association. This has been tried in various parts of the country and is working successfully in California.

(Continued on next page.)

Chairman Martens of C. M. D. Felicitates President Driver

BECAUSE we believe they will be of interest to many of our members, we are reproducing (below) letters passing between W. S. Martens, Credit Manager of Carson, Pirie, Scott & Co., Chicago, and Chairman of the Credit Management Division of the National Retail Dry Goods Association, and President Driver of the National Retail Credit Association:

The letter from Mr. Martens follows:

Dear Mr. Driver:

"Time is the greatest rogue of all. Not all the arrows of Attila can do the damage of a trickle of sand in an hourglass."

That six weeks have rushed by (trickled is hardly the word) since that delightfully cool and wholly enjoyable week in Rochester, seems incredible. To the confession that you, Mr. Crowder, and Mr. Berry should have had letters long before this, I offer a single plea in mitigation: It shall not happen again.

The inevitable accounting for many mislaid hours, as suggested by Donn Byrne's lines, causes me, at the very hour of nonfeasance, to shudder.

In all its complexity, an examination of the retail credit operations results in a finding that is exceedingly simple. Despite an almost total lack of plan, system and procedure, operating results of the credit offices in the retail stores of the United States are uniformly acceptable.

It is my opinion that one of the greatest contributing factors is the fraternity existing among credit men. None of us is sufficiently smart—and no employer sufficiently strong—to go it alone. I believe the credit man who is never too busy to lend a hand serves himself and his employer best, and I know you agree.

Or is the offering of an opinion, after so short an engagement in retail credit, in bad taste? If so, I ask you, "Old Timer," to pardon my impertinence.

But, to return to Rochester—the meeting was excellent. It is a source of much satisfaction to the lay members to have the Association affairs administered by such capable, understanding gentlemen as Mr. Reed and yourself.

I hope you will always remember that I should be pleased if you would call on me for anything in which I might be of assistance. And I say that for C. M. D. also.

I had no intention of writing so much. I'm not so voluble generally. I thought it an opportunity, however, to become articulate on a subject that interests me. And besides, I wanted to remind you that I'm at your command.

Best wishes for a pleasant and successful administration.

And here is President Driver's reply:

Dear Mr. Martens:

Please pardon my delay in acknowledging your most welcome letter. I was more than pleased to hear from you and particularly to have you so characteristically express the sentiment of your good self and the C. M. D. of the N. R. D. G. A. toward the National Retail Credit Association.

All of these felicitations I return most heartily, from the National Retail Credit Association, to you as Chairman of the C. M. D., and to the members of your Division.

It just happens that you and I are equally interested, inasmuch as we are both members of the National Retail Credit Association and the Credit Management Division of the N. R. D. G. A. Also, it is my privilege to have a large number of personal friends who are members of the C. M. D., all of whom I consider exceedingly capable credit managers and excellent business men.

The interests of our respective organizations are mutual. We, I am sure, can be of much benefit to each other in striving for the same goal, i.e., the betterment of retail credit granting.

General Manager-Treasurer Crowder, Secretary and Research Director Hert, and the writer cordially invite you, Manager Hagios of the C. M. D., members of your Board, and your members to exchange ideas with us, freely and frequently. The retail credit executives of the United States have many difficult problems to consider and solve during the next few months and certainly none of us, in the credit profession, can have too much assistance or information.

Write to me often and give me the benefit of anything good that you may know; and if I pick up anything worth while I will certainly pass it on to you.

"Unauthorized Practice of Law"

(*Continued from preceding page.*)

Many requests come to the general office of N. C. C. R. C. for information and assistance when actions are brought by the local Bar Association against bureaus and collection agencies, and we regret that we cannot be of more assistance to you in those cases.

Usually, however, such cases are purely local matters, only too often reflecting a grievance by some member or members of the local Bar Association against the bureau or collection agency, and too often are the cases decided on purely local conditions rather than broad application of the law. We can furnish you the law at any time, but as to other phases of the situation, we can be of but little assistance. Remember that the American Bar Association holds, through the report of its committee on unauthorized practice of law, that credit reporting and the collection of debts without suit or threat of suit is *not* practicing law.

"Attached is our check No. 1608, in the amount of $2.00 for payment of the report of the 'Department Store Group Proceedings.'

"The report is a splendid contribution to the members of the N. R. C. A. organization. I feel that you and your associates are to be complimented on its thoroughness.

"I especially like the manner in which the various subjects were presented, and can safely say that any credit executive would find many valuable pointers and suggestions in the report."—BEN S. WRIGHT, Credit Manager, La Salle & Koch Company, Toledo, Ohio.

The Collection of Public Utility Bills

By R. A. FROEBEL
Superintendent of Collections, San Antonio Public Service Co., San Antonio, Texas

WIDESPREAD adoption of community credit policies is a goal of the National Retail Credit Association. The ultimate result would be sound consumer credit with uniformity of policy, and the elimination of unfair and unsound practices.

It is our custom, as a public utility, to ask our customers to pay bills when due. In case of inability to pay we encourage and urge payment in installments. Our collection percentage is materially increased and many losses are averted by a prompt contact with the customer. Such a procedure, we feel, will also have a favorable reaction upon the customer and encourage him to give more consideration to paying, when due, his obligations to other merchants.

Utilities Have Collection Problems, Too!

It is a popular impression that utility accounts are amply protected by deposits; also that the utility collection department merely consists of a cashier and a "disconnect" man, reputed to call without warning with the ultimatum to pay up or be cut off. Our procedure is, of course, very much to the contrary. While the utility may have a virtual monopoly of the service rendered, we avoid any procedure which in any way would reflect an independent attitude.

Our collection procedure is fully cooperative in a sincere effort to give the customer every opportunity to discuss arrangements for payment of his bill. It must, however, be recognized that the utility is forced to grant credit to many whose records would not justify credit by the merchant. In such cases, the utility in turn asks for cash or has the customer establish a satisfactory equity on repossessable merchandise.

Customer good will and good customer relationship are very desirable and highly prized; and can only be attained by a dependable service, furnished at reasonable rates, coupled with courteous customer-contacts and a thorough understanding of the customer's position. The rendering of our service follows through to cooperating with the customer in any earnest effort to make payment.

It is in this respect that our collection procedure is sufficiently flexible to give careful consideration to unusual circumstances in worthy cases. The selection and training of personnel are very important. For our outside collectors we have been particular to choose men above the average type of collector. As a rule they have all had a number of years' service with the company, and are fully conversant with company policies.

While the customer is given every opportunity to arrange for payment of his account, our collection procedure is to remind and then to contact the customer promptly after his bill becomes due and remains unpaid. The problem of collecting closed accounts is considerably lessened if prompt contact is made while the account is still current, should the account not be paid when due or in accordance with any extended time agreement.

Collection Procedure on Delinquent Accounts

Our first notice, after the bill is past due, is in the nature of a reminder (*See Form 1*) and is delivered in a sealed envelope by an employee using a bicycle. Each customer, regardless of past paying record, receives this notice within five days after due date. *No collection effort is made by this employee.*

(EDITOR'S NOTE: *All forms mentioned in this article are shown in plate on opposite page.*)

Symbols are used to designate customers' paying habits, and when the collector calls in about ten days after the due date he is guided by the symbols and leaves notice or makes contact accordingly. Even customers with good paying habits are contacted. However, if a notice is given it is again merely in the nature of a reminder (*See Form 3*).

The collector's copy of the bill (*Form 2*) is an exact duplicate of the original reminder. These bills are checked for payment (with ledger) before regular office hours, and in this way, by reason of having a night posting crew, all credits are cleared to the closing of the previous day's receipts. Forms 1 and 2 are made up in one writing on a No. 3,000 National Cash Register Accounting Machine, and by the use of fanfold continuous stationery with interleaved carbon. Very satisfactory production is obtained with this combination.

Accounts habitually late are not disconnected on our first call; but are given "Final Notice" (*See Form 4*) and then only disconnected after all efforts to obtain, or arrange for, payment have proved futile. In the event of an account being closed, or if an arrears item has accumulated, we attempt to arrange with the customer to pay current monthly bills when due and reduce the arrears in installments (*See Form 5*). Such an arrangement has proved very satisfactory, and enables us to continue to sell the customer ***and also obtain payment of the past due indebtedness.*** Many customers have expressed their appreciation of being able to take advantage of such an arrangement.

In line with the fact that ease and convenience of making payment induce a better collection percentage, we have established a "Night Cash Vault" at the building entrance. Envelopes with instructions are conveniently available for the sealing up of each separate payment. Several years' experience has proved this arrangement very satisfactory. Hundreds of customers regularly

use the night cash vault because of its convenience after regular office hours. Receipts for payments so received are attached to the customer's next regular bill, except the proportionately few where the payment received is insufficient. In the latter case, notice of the shortage is mailed to the customer along with the receipt.

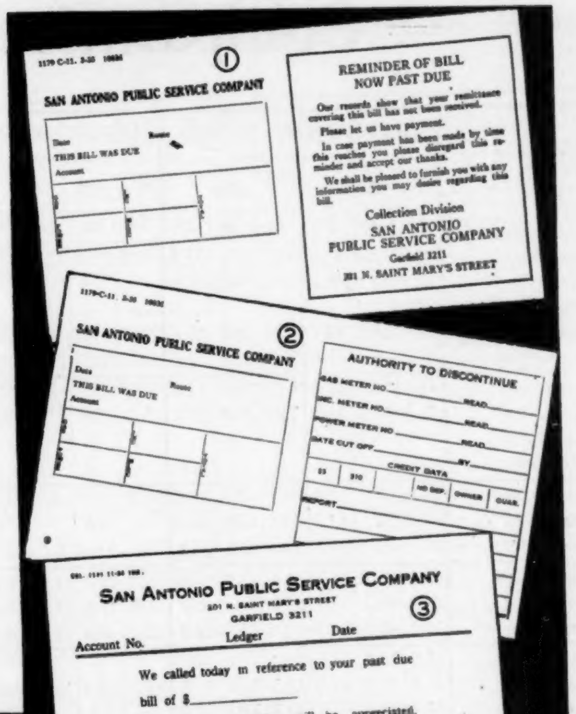
(Editor's Note: Forms 1 and 2—right—have fold-over stubs, not shown, duplicates of left half of forms.)

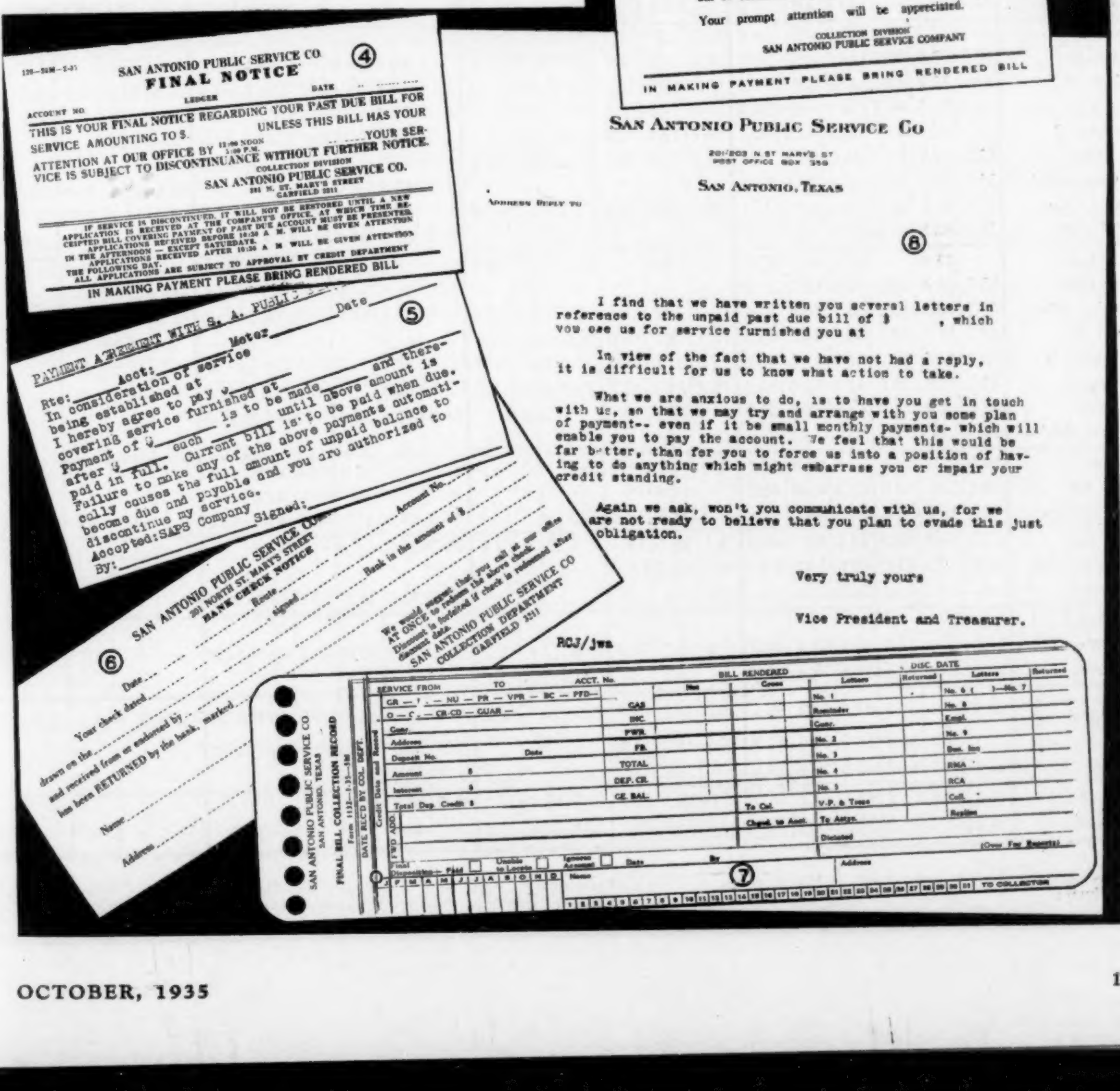
Handling Returned Checks

Because a large percentage of accounts are paid by check, we have the usual unhonored check to contend with. To handle these checks the Collection Department has a revolving cash fund. Checks are not charged back to the customers' accounts until after service has been discontinued by reason of our inability to obtain payment for the check. Considerable bookkeeping is eliminated, and the check remains under the control of the Collection Department until final disposition is made. Record of the check is made in duplicate (*See Form 6*). The original is mailed, and the duplicate constitutes a permanent record after final disposition.

The collection of closed accounts will always remain a big problem with utilities. Irresponsible persons can easily obtain service by merely meeting standard deposit

(*Continued on page* 31.)





Comparative Collection Percentages - Au

	DISTRICT AND CITY	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						FURNITURE STORES (Installment Accounts)						[J]EWELRY S[TORES]	
		1935			1934			1935			1934			1935			1934			1935			1934			[1]935	
		AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	HI.	LO.
1	Boston, Mass.	45.2	55.9	33.6	45.7	52.6	32.6	13.2	22.6	12.7	17.0	20.3	14.6	44.9	50.6	34.1	47.3	50.0	34.2	—	16.7	—	—	17.5	—	49.3	46.7
1	Providence, R. I.	42.1	52.0	40.6	41.2	54.4	36.7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1	Hartford, Conn.•	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1	Springfield, Mass.	48.0	54.8	43.1	45.1	50.5	41.1	18.9	26.6	10.1	18.6	25.5	12.5	—	48.0	—	—	42.8	—	—	—	—	—	—	—	—	—
1	Worcester, Mass.	41.2	49.1	38.4	37.7	42.6	34.9	24.2	26.0	22.5	20.9	24.1	17.7	—	28.0	—	—	29.3	—	—	—	—	—	—	—	—	—
2	New York City	41.4	58.1	30.6	41.2	55.3	31.0	20.0	29.2	12.5	20.6	45.1	9.0	34.2	57.2	22.6	36.2	56.5	22.0	15.7	22.1	9.3	16.1	23.5	8.7	—	—
2	Pittsburgh, Pa.	41.3	45.9	35.4	39.3	43.6	34.9	15.7	18.9	11.2	16.1	19.4	12.9	41.3	47.4	35.4	38.9	48.1	28.0	—	—	—	—	—	—	44.2	34.9
2	Syracuse, N. Y.•	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Utica, N. Y.•	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	Washington, D. C.	37.6	47.2	32.8	34.7	44.3	32.8	11.9	13.1	10.2	10.9	13.4	10.5	39.7	40.2	39.1	34.2	37.3	31.1	—	—	—	—	—	—	—	—
3	Huntington, W. Va.	47.9	53.7	42.2	38.1	43.0	33.2	—	8.8	—	—	9.7	—	—	—	—	—	—	—	10.7	11.0	10.4	10.5	11.0	10.0	—	—
3	Baltimore, Md.	37.2	43.9	29.8	36.4	43.3	27.8	14.1	25.4	6.1	14.7	29.1	7.4	35.1	41.2	31.8	31.4	35.7	28.0	—	—	—	—	—	—	—	—
4	Birmingham, Ala.	40.0	45.2	34.3	38.9	43.9	34.6	15.4	19.2	11.6	16.6	24.4	11.0	44.9	50.0	39.0	46.5	57.2	37.0	12.8	15.8	11 1	12.5	14.8	11.0	—	—
4	New Orleans, La.	43.9	46.3	38.1	42.8	44.2	41.1	16.9	19.5	14.7	16.4	20.1	14.5	39.9	43.9	35.9	38.8	42.4	35.2	—	—	—	—	—	—	—	—
4	Atlanta, Ga.	34.3	40.0	28.7	29.7	35.0	24.4	13.1	14.9	11.3	14.8	17.3	12.4	34.3	34.7	34.0	34.9	36.4	33.5	—	13.0	—	—	11.9	—	28.8	—
5	Kansas City, Mo.	59.0	74.6	43.5	60.8	72.8	48.7	—	—	—	24.9	35.2	14.6	52.3	51.2	41.4	45.7	53.6	36.3	—	10.0	—	10.4	11.0	9.8	—	—
5	St. Louis, Mo.	47.9	55.0	42.5	43.3	51.5	37.8	20.2	25.4	15.2	21.8	27.4	18 1	40.5	47 1	36.3	38.8	45.9	32.7	14.0	19.6	7.8	16.8	29.9	6.1	—	—
5	Little Rock, Ark.	36.6	39.6	33.7	32.7	34.1	31.2	—	8.6	—	—	9.2	—	—	—	—	—	32.6	—	10.9	13.4	10.1	10.1	11.5	8.9	39.6	38.2
6	Cleveland, O.	43.0	51.5	40.3	37.9	49.6	34.9	21.2	22.8	15.1	17.3	20.3	13.4	36.7	43.0	28.1	35.6	43.0	31.1	10.0	11.0	8 6	9.1	9.6	8.1	58.1	27.5
6	Cincinnati, O.	46.6	53.0	43.0	44.2	48.0	38.0	14.9	21.6	9.5	13.7	18.0	11.0	42.2	46.6	34.8	45.0	52.9	35.0	—	—	—	—	—	—	59.4	32.1
6	Columbus, O.	44.4	50.0	44.2	47.0	48.3	44.1	12.5	12.9	12.1	12.3	13.4	11.3	45.3	51.1	39.4	49.2	56.4	41.9	12.5	37.0	9.3	13.4	33.0	11.3	—	—
6	Toledo, O.	44.5	51.3	41.2	38.2	44.1	34.2	16.7	17.2	15.6	14.5	17.2	13.0	43.6	45.3	41.9	41 7	43.3	40.1	—	9.6	—	10.2	13.2	7.3	53.7	38.2
6	Youngstown, O.	41.6	42.0	41.1	37.3	39.9	34.7	17.7	22.9	12.4	17.3	20.5	14.1	32.8	43.5	22.0	29.5	43.3	15.6	—	14.3	—	—	13.2	—	40.8	—
6	Detroit, Mich.	48.5	62.7	36.5	46.0	61.3	36.6	25.4	28.9	20.1	22.8	28.6	15.6	45.6	52.7	36.5	45.8	50.0	43.0	—	—	—	—	—	—	44.0	—
6	Grand Rapids, Mich.	36.5	38.7	33.0	35.4	37.5	31.2	—	—	—	—	—	—	41.7	50.8	30.0	41.2	53.7	31.7	13.6	20.3	8.3	10.9	14.2	8.0	—	—
6	Milwaukee, Wis.	47.5	51.7	42.5	39.5	53.1	37.1	18.3	19.6	16.8	17.3	19.3	15.4	—	49.1	—	45.7	49.0	42.5	10.0	11.3	8.8	9.1	10.0	8.2	—	—
6	Springfield, Ill.	30.0	40.8	16.9	26.3	34.8	15.6	—	—	—	—	—	—	28.4	29.8	27.0	24.6	26.2	23.0	16.8	20.4	13.0	18.9	24.0	14.0	29.0	23.6
7	Duluth, Minn.	—	49.6	—	46.6	47.8	45.4	—	18.4	—	17.1	17.5	16.8	50.5	58.2	42.7	54.2	62.8	45.7	—	—	—	—	—	—	24.3	—
7	St. Paul, Minn.	53.3	58.4	49.0	52.5	53.3	51.5	—	—	—	—	—	—	42.1	46.3	35.0	42.1	43.7	40.5	—	—	—	—	—	—	—	—
7	Minneapolis, Minn.	61.7	68.3	55.5	58.7	64.4	51.6	19.2	24.3	13.3	17.3	20.8	12.6	57.6	60.5	54.7	53.7	58.1	50.0	12 6	14.5	10 7	13 5	17 9	9.0	39.5	—
7	Davenport, Ia.	48.7	51.2	46.2	45.1	46.3	43.8	16.1	19.2	13.0	16.0	19 8	13.3	—	41.3	—	—	37.2	—	—	14.7	—	12.8	14.4	11.2	—	—
7	Cedar Rapids, Ia.	58.0	61.6	47.2	46.6	55.6	46.0	22.0	27.0	17.0	20.7	26.7	14 7	—	—	—	—	71.0	—	—	—	—	—	—	—	—	—
7	Sioux City, Ia.	42.3	55.5	39.0	42.3	50.6	34.0	18.7	25.4	12.0	29.0	45.0	13.0	—	44.0	—	47.5	53.0	42.0	—	44.0	—	—	25.0	—	—	—
7	Omaha, Neb.	46.0	50.4	41.7	43.0	46.2	39.8	—	13.9	—	—	13.1	—	39.4	44.9	34.0	39.0	45.3	35.0	—	—	—	—	—	—	—	—
7	North Platte, Neb.•	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Tulsa, Okla.	54.0	56.2	47.8	52.0	53.4	46.7	12.5	13.0	11.1	13.0	13.0	11.0	41.8	45.0	38.6	43.4	45.3	41.5	—	—	—	15.6	17 7	13.6	—	—
8	Oklahoma City	46.5	52.0	41.0	47.3	49.6	45.0	—	13.4	—	—	12.8	—	—	—	—	—	44.4	—	—	—	—	—	—	—	—	—
8	San Antonio, Tex.	40.3	44.6	34.8	39.1	44.0	32.2	12.3	12.8	11.8	12.7	14.2	11.2	44.5	47.5	41.3	42.9	44.1	43.6	11.0	14.5	8.5	9.9	12.9	8 0	39.0	—
9	Denver, Colo.	43.2	53.8	42.4	42.4	43.7	39.3	16.1	28.0	11.7	15.4	27.4	11 6	43.3	44.3	42.4	—	43.4	—	—	12.2	—	—	12.3	—	12.1[0]	—
9	Salt Lake City, Utah	50.9	53.5	47.0	49.9	54.0	46.1	15.5	18.0	12.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Casper, Wyo.	—	—	—	—	—	—	—	—	—	—	—	—	33.5	36.0	31.0	22.0	23.0	21.0	—	—	—	—	—	—	19.0[0]	—
10	Portland, Ore.•	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Spokane, Wash.	50.7	53.7	47.7	51.7	57.4	46.0	15.0	15.2	14.4	16.8	17.6	15.2	38.2	49.5	26.9	35.7	47.4	24.0	—	—	—	—	18 1	—	21.8[0]	16.8
10	Billings, Mont.	42.9	44.1	41.8	36.9	38.8	35.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	San Francisco and Oakland, Calif.	46.2	54.9	31.4	43.0	51.9	30.6	20.0	34.0	14.4	21.1	34.7	14.2	39.4	51.0	28.5	36.2	46.6	25.4	15.1	25.1	13.1	14.5	20.1	11.6	—	—
11	Los Angeles, Calif.	59.1	60.8	50.7	58.2	61.9	47.3	20.5	24.4	18.7	—	—	—	52.5	59.8	50.0	56.4	60.7	42.0	—	—	—	—	—	—	47.7	—
11	Santa Barbara, Calif.	40.0	50.8	35.8	45.5	52.9	34.6	—	—	—	—	—	—	61.6	68.5	57.2	—	—	—	—	—	—	—	—	—	—	—
12	Vancouver, B. C.	64.5	65.9	63.2	66.8	67.2	66.3	27.0	30.7	23.4	27.3	30.1	24.5	50.0	53.0	47.0	—	—	—	—	10.0	—	—	—	—	30.0	—
12	Victoria, B. C.	58.2	65.0	51.5	56.1	61.2	51.1	23.2	23.6	23.2	23.6	25.4	21.8	—	44.1	—	—	36.4	—	—	—	—	—	—	—	—	—

•Figures not received at press time
[0]Installment
[1]Furriers
[2]Laundry
[4]Plumbing
[5]Lumber
[6]Paper and Paint
[7]Coal
[8]Cleaning and Dyeing
[12]Optician
[13]G
[14]S

es - August, 1935, *Versus* August, 1934

ES		EWELRY STORES					MEN'S CLOTHING STORES						SHOE STORES						AUTO ACCESSORIES, TIRES, GAS AND OIL						MISCELLANEOUS					
		935		1934			1935			1934			1935			1934			1935			1934			1935			1934		
LO.		HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
—	4	49.3	46.7	57.6	66.3	49.0	—	—	—	—	—	—	—	53.5	—	—	51.2	—	—	—	—	—	—	—	54.7	69.2[15]	42.0[13]	55.0	68.7[15]	40.0[13]
—		—	—	—	—	—	—	—	—	—	—	—	—	54.5	—	34.2	56.4	22.0	—	—	—	—	—	—	62.7	78.9[8]	48.0[15]	60.0	77.6[8]	34.0[13]
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	—	40.0	—	—	—	—	—	57.8	—	—	54.4	—	—	85.0	—	—	71.0	—	59.0	67.7[16]	54.5[7]	54.8	62.7[16]	46.9[7]
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	35.0	—	—	33.0	—	50.1	72.0[16]	40.2[7]	41.0	73.9[8]	27.4[7]
8.7		—	—	—	8.8	—	43.2	51.0	29.5	39.5	49.3	26.4	52.1	55.7	48.6	49.3	56.4	48.5	58.6	61.3	56.0	58.4	59.8	57.0	55.5	59.1[13]	52.0[20]	50.0	51.1[12]	49.0[20]
—	3	44.2	34.9	39.9	40.9	38.9	—	—	—	—	—	—	47.0	47.0	47.0	44.5	50.0	39.0	—	—	—	—	—	—	56.7	83.1[12]	22.3[13]	40.9	58.3[8]	21.6[12]
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	39.6	42.3	37.0	39.6	43.5	34.8	—	48.0	—	—	46.0	—	—	—	—	—	—	—	—	26.7[13]	—	—	32.8[20]	—
10.0		—	—	—	—	—	—	46.0	—	—	36.0	—	—	—	—	—	—	—	54.2	54.8	53.7	—	59.8	—	42.7	59.0[8]	40.0[8]	46.0	55.1[8]	37.0[8]
—		—	—	—	—	—	—	29.2	—	—	30.5	—	40.6	49.5	35.5	39.7	44.0	36.4	—	—	—	—	—	—	—	—	—	—	—	—
11.0		—	—	—	—	—	43.1	47.4	38.0	40.3	44.7	36.0	—	—	—	—	—	—	60.2	62.0	58.5	65.1	68.1	60.5	—	—	—	—	—	—
—		—	—	—	—	—	41.8	48.5	35.2	36.9	39.0	35.0	—	51.6	—	—	50.4	—	—	—	—	—	—	—	—	—	—	—	—	—
—		28.8	—	—	27.5	—	—	33.8	—	—	33.3	—	—	—	—	—	—	—	—	—	—	—	—	—	38.0[7]	39.0[7]	37.0[7]	37.8[7]	44.7[7]	31.0[7]
9.8		—	—	—	—	—	—	—	—	—	—	—	—	43.0	—	43.1	46.0	40.3	—	73.2	—	65.0	78.5	49.0	—	—	—	—	—	—
6.1		—	—	—	—	—	40.9	41.5	40.0	38.2	39.0	36.6	—	—	—	—	—	—	—	—	—	—	—	—	62.7[7]	68.8[7]	56.6[7]	65.0[7]	73.2[7]	56.9[7]
8.9	3	39.6	38.2	33.9	34.1	33.8	—	—	—	—	—	—	—	—	—	—	—	—	66.0	69.3	55.8	65.0	76.7	50.1	—	55.0[18]	—	—	66.0[18]	—
8.1	4	58.1	27.5	28.2	39.3	23.5	42.1	73.7	41.3	39.8	53.8	35.1	55.3	75.6	40.9	42.1	85.2	37.3	—	—	—	—	—	—	54.5[7]	61.8[7]	28.9[7]	31.0[7]	57.0[7]	17.0[7]
—	47	59.4	32.1	37.0	41.8	29.1	42.2	47.1	37.3	38.7	41.6	35.9	55.9	62.0	48.0	50.0	62.8	36.6	—	—	—	—	—	—	49.6	76.0	32.0	45.9	76.0	26.4
11.3		—	—	—	—	—	43.1	45.1	41.2	41.3	42.3	40.4	—	—	—	—	—	—	—	—	—	—	—	—	—	44.0[9]	—	—	—	—
7.3	40	53.7	38.2	47.0	62.1	32.0	—	37.0	—	—	33.0	—	—	25.4	—	—	24.6	—	—	32.0	—	—	42.0	—	—	33.3[14]	—	—	—	—
—		40.8	—	—	47.1	—	42.1	55.2	20.0	38.6	49.7	19.0	—	—	—	—	—	—	—	97.0	—	—	93.4	—	43.3[21]	47.2[20]	39.3[12]	34.6[20]	44.3[20]	25.3[12]
—		44.0	—	—	48.5	—	50.1	53.0	45.2	43.3	48.0	38.9	50.9	55.3	46.5	52.3	54.3	50.4	—	—	—	—	—	—	—	13.2[17]	—	—	11.7[17]	—
8.0		—	—	—	—	—	54.6	96.0	30.0	43.2	61.2	20.9	—	—	—	—	—	—	62.9	76.0	50.0	60.7	77.0	44.5	29.1[1]	36.0[7]	15.6[7]	32.7[7]	48.0[7]	24.0[1]
8.2		—	—	—	54.0	—	—	40.0	—	45.4	61.2	29.8	—	39.7	—	43.5	51.4	42.0	—	75.3	—	—	60.4	—	—	32.0[1]	—	—	31.5[1]	—
14.0	2	29.0	23.6	28.9	32.0	17.1	28.4	34.5	21.6	23.6	32.2	17.5	32.8	34.6	31.0	26.9	33.0	19.0	50.2	69.0	30.0	45.9	67.0	29.0	42.8[7]	58.0[7]	27.0[7]	27.4[1]	40.0[7]	14.2[7]
—		24.3	—	—	38.6	—	27.6	30.1	25.0	25.2	28.4	22.0	—	—	—	—	—	—	—	—	—	—	—	—	41.5	63.5[21]	33.1[19]	34.7	60.5[21]	33.0[8]
—		—	—	—	—	—	40.3	41.6	39.0	38.8	43.0	36.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.0		39.5	—	—	42.0	—	53.7	55.6	51 7	45.9	46.0	54.2	—	—	—	—	—	—	—	—	—	—	—	—	34.0[7]	60.0[7]	12.2[7]	30.3[7]	54.0[7]	10.0[7]
11.2		—	—	—	—	—	—	—	—	44.1	64.2	24.0	—	—	—	—	—	—	—	63.0	—	—	41.0	—	45.9[12]	54.9[12]	37.0[12]	34.0[12]	37.0[12]	31.0[12]
—		—	—	—	—	—	45.5	46.0	45.0	43.3	44.0	42.6	—	55.0	—	—	50.0	—	—	—	—	—	—	—	—	45.7	—	—	40.6	—
—		—	—	—	—	—	—	51.1	—	—	46.5	—	—	56.0	—	—	36.0	—	—	—	—	—	—	—	—	43.6[7]	—	—	37.0[7]	—
—		—	—	—	—	—	—	47.5	—	—	45.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13.6		—	—	—	—	—	53.0	54.9	51.0	51.9	53.7	50.1	—	53.7	—	—	38.7	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	42.1	44.5	39.7	42.1	48.7	35.6	—	—	—	—	—	—	—	76.0	—	—	75.8	—	—	76.0[13]	—	—	74.3[13]	—
8 0		39.0	—	—	43.6	—	—	42.0	—	—	40.0	—	—	52.6	—	—	51.9	—	—	—	—	—	—	—	—	—	—	—	—	—
—		12.1°	—	—	11.4°	—	—	47.3	—	—	44.6	—	50.3	65.2	35.3	48.5	61.9	35.2	—	84.4	—	—	63.7	—	64.6	70.0[19]	59.2[22]	58.2	67.0[19]	49.5[22]
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		19.0°	—	—	19.0°	—	—	30.0	—	—	18.0	—	54.3	65.3	43.3	—	46.0	—	—	—	—	—	—	—	—	—	—	—	—	—
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—	19	21.8°	16.8°	16.3°	18.3°	14.2°	45.6	59.0	32.3	—	25.7	—	—	—	—	51.2	55.8	46.7	—	—	—	—	—	—	49.7	63.0[1]	28.0[9]	47.0	67.0[7]	23.0[1]
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11.6		—	—	—	—	—	42.1	48.3	28.4	40.8	44.5	22.4	44.6	48.7	37.8	40.0	43.6	36.6	—	—	—	—	—	—	—	—	—	—	—	—
—		47.7	—	—	—	—	51.1	58.1	47.5	46.8	59.1	40.3	57.2	63.8	54.8	53.5	62.9	52.8	—	—	—	—	—	—	68.5[13]	76.3[12]	60.7[18]	60.7[12]	69.3[12]	52.2[15]
—		—	—	—	—	—	49.0	57.6	33.2	—	—	—	44.7	52.9	38.3	45.7	61.1	35.0	—	—	—	—	—	—	62.2[5]	70.5[15]	46.1[13]	59.2[19]	80.3[19]	46.1[12]
—		30.0	—	—	—	—	44.5	49.0	40.0	—	—	—	—	—	—	—	—	—	65.7	83.0	48.4	—	—	—	63.5	96.0[15]	40.0[15]	76.6	90.0[19]	32.0[7]
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

COMPILED BY RESEARCH DIVISION—NATIONAL RETAIL CREDIT ASSOCIATION

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[13]Grocery
[14]Stationery, Office Supplies
[15]Florist
[16]Hardware
[17]Music
[18]Dairy
[19]Drugs
[20]Sports Wear
[21]Leather Goods
[22]Household Equipment

How Credit Executives Can Be Leaders

By ORDWAY TEAD
Editor, Economic Books, Harper & Brothers, New York City

[Extracts from an Address at the Twenty-Second Annual Convention--Rochester, N.Y., June 18-21, 1935]

THERE are at least three reasons why we are now urging executives to think of themselves as leaders. The first is one which I hope your experience checks up with, namely, that the whole idea of bossing is increasingly repugnant to people. People do not like to be bossed, crudely bossed, anyway.

Under the temper of the times, the kind of democratic schooling and influences that our youngsters have, people want to be treated differently. It isn't that the results we are trying to get are any different; certain results, certain accomplishments, have to be assured. *Bossing* gets those results without any reference to how it gets them, and it gets them very largely by the use of the fear motive. People are afraid to do anything else but obey and give the gesture of obedience.

Leading gets things done; but it gets things done from the inside out. It gets things done by the self drive, the inner drive of the people who are, themselves, doing it. The manner, the spirit, the attitude with which accomplishment comes is different. And it is different in a vital and valuable way, because it means you have self-propelling qualities which are urging forward the people, and not merely fear and terror qualities which are making them do what they have to do just in order to "get by."

The executive job, if it is to be well done, in short, implies and requires that over and above all the routine and necessary supervising effort, there is also the vitalizing, the personal, stimulating aspect of the work—the *leading* emphasis.

And perhaps more basic than any of the others, is the fact that *people do crave leadership.*

As I look about the world today—and I think your own experience may agree with this—I see many people (both in their work setting and in general) afflicted with what you might call the "moral jitters." They are bored with life; they are bored with the job, they are oppressed with the monotony, the uncertainty, the insecurity. They are fearful about the future for themselves and their jobs, fearful of the whole political and economic situation in which we find ourselves.

They have no sense of unity inside their own souls as to what they want, no sense of community with either the people they work with or with their neighbors. They are alone—at their wits' ends—baffled by life! And there are thousands and thousands who, in this confused attitude, look out upon their work and their human associations.

"Nothing bolsters up morale like victory," somebody has said. And what we have to ask ourselves, in business life today is, "Where for us comes, at any occasional intervals, a sense of victory? Can we build up the kind of things that we do, the progress that we make, so that, occasionally, victory can be recorded, can be known, felt and enjoyed by us? Can be known, felt and enjoyed by our associates?"

Until we have that, until we have been able to attain that sense of victory in our corporate organizations, we have missed one of the genuine responsibilities which we have as leaders of others!

Morale is enthusiasm, devotion to a purpose; it is confidence that we are embarked upon something which is worth while to do. We are presumably embarked upon something which is worth while to do. Yet without morale, organizations just drudge along and do not really progress.

But morale does not come automatically; morale is not an accident. And, fundamentally, morale does not come without leaders who know what it is they want, who can make what they want attractive to others, and who can win, persuade and influence others to come along toward achievement.

The great job, the basic job of the executive, as a leader today, is the building up of morale. Without the leader, without the qualities which the leader manifests in action, morale does not arise.

I have a notion that it would pay all of us, occasionally, to sit alone and say, "What is the big idea—what is the objective—which this department, *this organization,* is really working for?"

And I suggest for your consideration that one of the things at least you may, and perhaps should, be working for, is the improvement of the economical operation of the very necessary distributive system in our country. For the economical operation of distribution of goods to people is a necessary, valuable, significant function in the world. It is a dignified and important function with which to be involved.

Do you see it that way? Have your associates ever been taught to see it that way? Or are they merely hammering typewriters or filing papers in a file? Has anybody ever translated the immediate things of your work into the larger meaning and larger dignity it can, *and should,* have for everybody concerned?

Thus, it seems to me, that looking at our aims and goals, seeing them in their most important and significant light, and translating that to the rank and file, is all a necessary duty of the executive as a leader. He has to know what he wants, where he is going, and how that can be made compelling and attractive for the people who

are working with him. He has also to think of the people's own difficulties, I mean his working personnel; and consider the things they have to have in mind as valuable and necessary for them to achieve in and through their corporate associations.

I can suggest these things in three words. It seems to me that all our personnel, our employes, have rightfully to be concerned for their security, their sufficiency of income, and their status. And one of the jobs of an executive as a leader, is to be sure that the thing he is trying to have his organization accomplish includes, as a partial aim, a protection and consideration of security, sufficiency and status for the rank and file of the people who are associating to help him realize his larger aim.

If that assurance is there and if the people know it is there—if through group insurance and pensions and through decent, reasonable weekly wage and salary scales, through recognition of good work done, those three "s's"—Security, Sufficiency, and Status—are being taken care of—the response to leadership is going to be far greater than otherwise.

In the second place, the executive who is going to be a good leader, has not only got to want the right thing, he has to be the right thing. The bigger the man, the bigger the leader. A leader is known by the people whom he helps to grow. And no leader is going to help others grow, who is not growing himself; who is not himself becoming progressively more of a person.

That brings me to a related thought, related to your organization aims and to my own professional interests, that both for ourselves and our staffs, the value and necessity for conscious educational activity is essential if we are to bring forward the kind of people who will develop into better leaders. And when I say educational activity, I use that phrase deliberately in a broad way. I assume you are already doing a good job at job training and instruction; you are already informing yourselves and your associates about the technical requirements of your work.

Now the time has come when training activities in department stores, for example, are going to be much more broadly thought of. And the courses offered, the kind of subjects studied, are going to be thought of much more with a view toward what I might call personality development rather than only the development of detailed skills. And if any executive is going to be somebody as a leader, he gets to that point of quality, integrity and of being a personally appealing kind of fellow, only by virtue of keeping constantly on his toes, keeping constantly ahead of the procession in his study, in his thought, in the way in which he leads his whole life. Anybody who is going to earn that very delightful praise which we hear occasionally, "He's a swell guy to work for," earns it only as his own personal life is being developed by deliberate application to his own broad educational development and progress.

In the third place, as to what the leader does: I take it for granted that the leader, in the first place, does his job with technical competence. It has to be assumed that technical mastery is there. The leader, as an executive, has, however, today more than ever, to stress the teaching aspect in what he does. The good executive leader is a good trainer, is a good teacher. And that means something as to the application we make of recognized and well-known principles of good teaching.

You and I ought to know what the learning process is. As the psychology books tell us about it, it isn't difficult; it reduces itself to a few valuable steps. We ought to know what the few essential principles of good teaching are. Familiarity, on the one side, with what the learning process is, and, on the other side, with what the teaching activity implies, will make a good executive, a better and a more effective leader.

Another thing which the executive as a leader does is that he conducts his ordinary work, day by day, with a different manner, bearing, and attitude than if he were merely a boss or commander. There enters into his relations a certain geniality, a certain courtesy, a certain consideration, a certain sense of awareness of the self-respect of the people being dealt with, that is entirely different from what we see when people are merely bossing others. That element of friendly consideration, I might almost say of affectionate concern for those being dealt with and supervised, is a necessary asset to leaders.

I say in all seriousness that, today, the private corporation is more and more on trial in society. It is on trial because not enough people are as yet getting the kick, the exhilaration, the satisfaction, the happiness out of their work, that they are entitled to and that they want.

The private corporation is going to stand or fall, literally, in the future, as the executive leaders of private corporations are able to translate their directive efforts into the idea of *leading* into glamour, happiness and self-development for the people of the rank and file being led!

Two More Credit Bureaus Ordered Telautographs!

Consequently--26 Credit Bureaus and 146 Stores Now Use Our Service!

Oakland, Calif., and New Haven, Conn., Bureaus Adopted Telautograph Connections During September! And Two More Stores Contracted for Service to and From the New York City Bureau!

TELAUTOGRAPHS

Will Make and Save Money for Your Bureau and-- Speed Up Sales for the Member Stores Connected!

BECAUSE--

Telautographs save as much as 40 per cent in time and labor on all inquiries and reports, in addition to systematizing the handling of credits with greater speed and accuracy.

Outside messenger service is reduced or eliminated.

Only one person is required to send telautograph messages—thus the time of the person whose duty it now is to receive messages may be devoted to other work, because regardless of whether the person at the other end of the line is "in" or not, the telautograph message appears instantaneously at his receiving station and is there waiting for him when he does come to his office.

Gossip is entirely eliminated and the reports contain more complete information.

Errors, with their consequent losses to the stores, are prevented by the clerk's knowledge that an indelible hand-written record is sent to all stations connected, and that, if an error does occur, these facsimile records are undeniable evidence as to who is at fault. Furthermore, all the time now spent in checking such errors or misunderstandings is saved.

Telautographs prevent bad account losses and facilitate the opening of new accounts by prompt action on all credit applications. Complete reports may be obtained in a few minutes' time—compared to a few days with other methods.

Deliveries may be made more promptly—enabling the customers to receive the service they expect from your store and inviting their further good will.

Telautographs operate secretly and silently. Consequently without any fear of embarrassing the waiting customer, or losing his good will, the store can receive the data from the bureau to grant safely or deny the request for a charge account.

Telautographs Cost About $1.00 Per Day for Each Store

Send for Our Man Now! No Obligation—Of Course

TELAUTOGRAPH CORPORATION

Factory and General Offices: 16 West Sixty-First St., New York City

Your Washington News Bulletin

By R. PRESTON SHEALEY
Washington Counsel, National Retail Credit Association
Colorado Building, Washington, D. C.

FOREWORD

THE Banking Act of August 25, 1935, contained a provision (*Sec. 344*) amending the National Housing Act as follows: "The Administrator shall, in carrying out the provision of this title and Titles II and III, be authorized, in his official capacity, to sue and be sued in any court of competent jurisdiction, State or Federal." Heretofore, the Department of Justice has been Uncle Sam's bad bill collector but this provision may authorize FHA to do its own salvaging job. At this writing, however (September 30), it has not yet been definitely decided whether recoupment of FHA loans will be made by the Housing Administrator and his staff or through the Attorney-General and his assistants. The words "this title" refer to Title I, modernization credit loans.

LEGISLATIVE

Congress in January

Congress convenes January 3, 1936, and present expectations are for a short session. These expectations may be upset, however, by Supreme Court decisions which may call for revision of legislation on important subjects. Also the bonus matter is yet to be disposed of, having been made a special rule by the Senate for early January consideration.

Government expenditures will also come in for examination and there might even be a move for a revision of the Classification Act of 1924. That comprehensive program may be added to by the necessity for additional legislation concerning foreign problems and, therefore, an April adjournment prediction is not a safe bet at this time.

DEPARTMENTAL

FHA Losses Low

It is time to take stock of FHA from the standpoint of losses. The first modernization credit insurance loans were made August 10, 1934, and as of September 21, 1935, $159,285,673 in modernization and repair notes were insured by FHA. The ratio of losses to date has been considerably less than 1 per cent and conservative estimates indicate that the total net loss to the Government under Title I when the work is finished will not exceed 2 or 3 per cent. Original estimates were much higher.

HOLC and FHA to Exchange Credit Data

Lack of cooperation by the Government agencies in Washington with each other has led to inefficiency and losses. HOLC and FHA, however, don't propose to be ranked among such agencies and a basis for exchange of credit information between these agencies upon borrowers is said to be in process of perfection.

A Boost for the National

Dr. Wilford L. White, of the Department of Commerce, is a believer in credit bureaus. In addressing the Personal Finance Companies Convention, September 26, at Hot Springs, Va., among other things, Dr. White said: "Retail establishments, even in the smaller cities of the United States, have combined to secure or purchase the service of a credit rating bureau.

"Most of these organizations are united in the National Retail Credit Association, thus not only making it possible for a local store to receive on a few minutes' notice the current credit position of a particular customer who has resided in the city for years, but also to receive within a reasonably short time similar information about someone who has just moved in from some distant city."

Credit Sales in the Solid Fuel Field

By CHARLES R. ROSS
Manager, Retail Credit Sales, Philadelphia Coke Company, Philadelphia, Pa.

OBVIOUSLY the subject relates principally to the sale of coal and coke to domestic consumers on charge and on the installment plan. At conventions and group conferences attended for the past six years, discussions of credit extension in connection with this particular line were conspicuous by their absence. For this reason this article is written in the hope that it may awaken interest and lead to constructive, friendly comparison of experiences and practices which may result beneficially to those interested in the distribution of solid fuel.

The selling of domestic fuel to consumers on credit under present conditions is a subject for serious consideration and discussion. Particularly is this true of plants and dealers located in the larger cities—where distribution over a wide area is necessary—with a limited knowledge of or acquaintance with the clientele served.

In our efforts to meet competition, care must be exercised that we do not resort to means or methods which may result disastrously. Taking the line of least resistance, we may be tempted to cut prices to the point where a profit is transformed into "red ink." Then again we may have adopted a credit policy which we may now decide is a trifle too severe in these days of adversity. Perhaps you may be inclined to offer quantity discounts, give your bills a post-dating or otherwise extend the time of payment, all of which are dangerous practices and may, for obvious reasons, react unfavorably.

When we have discarded these dangerous but tempting stimulants, we still have left some safe and sane policies which may be stressed and enlarged upon. There are two things which are considered by every buyer, and they are *quality* and *service*. (Don't forget the man who made a better mouse trap than his neighbor which caused his customers to make a pathway through the woods to his door.)

Even with a product of superior quality, success is not assured without service. Inquiries should have prompt and courteous attention. Orders should be graciously acknowledged and deliveries made as quickly as is consistent with safety. Complaints should be equitably adjusted without hesitancy or delay. A satisfied customer is a "pulling" advertisement, and a word or letter of apology for the breaking down of quality or service has saved many a customer.

Many a sales manager is looking over past records and laying plans to increase sales. In his eagerness to accomplish this end, he is oblivious to the payment or collection of accounts. That is the problem of the Credit Department, but he should not forget that a sale is not a sale until the account is paid.

In many organizations, particularly those selling direct to the consumer, the salesman is the "Ambassador of Good Will" and the one and only individual who has personal contact with the customer. His approach, his attitude and his personality make and leave an indelible impression on the mind of the customer. Many a customer has never entered the store or place of business of the firm selling him goods, has never met the proprietor or officials of the institution serving him, yet he continues to deal with the firm because of his acquaintance with the sales representative, which may have grown into a friendship.

Not so with the Credit Department which is more or less under cover. Personal contact with the customers is rare. The activities of the credit man are limited to correspondence, or possibly telephone conversation. Once the investigation of an applicant for a charge account is completed and approved and the account opened, his work is not finished; in fact it has only begun.

Has he exercised good judgment in granting credit? The proof is only evident when purchases are made and the account paid in accordance with agreed terms. If this be true, well and good—there is no cause for criticism, and rarely commendatory comment. But if the account "goes sour" as is sometimes the case, the Collection Department is called into action, often without results, and the closing entry on the ledger, "Bad Debts," spells disgrace and humiliation for the Credit Department.

On the other hand, the Credit Department, co-operating with the Sales Department, has innumerable opportunities for building good will and increasing sales. The credit man, through diplomatic correspondence and telephone conversation, may, if he so wills, accomplish wonders with customers and be an invaluable aid to the Sales Department.

In the words of Amos Parrish, "The most precious thing anyone, man or store, anybody or anything, can have is the good will of others. It is something as fragile as an orchid, and as beautiful; as precious as a gold nugget, and as hard to find; as powerful as a great turbine, and as hard to build; as wonderful as youth, and as hard to keep; intangible something, this good will of others."

Cooperation and coordination of sales and credit departments are most desirable, if not absolutely essential. The salesman, in many instances, can be of invaluable assistance to the Credit Department by furnishing information, favorable or unfavorable, concerning applicants for credit, or customers whose fortunes or financial conditions have changed. Personal contact of the salesman with the customer offers opportunities for obtaining information of this kind, which, for obvious reasons, is not communicated to the Credit Department otherwise.

Once the worthiness of an applicant for credit has been established, there must be a definite understanding and agreement as to terms or time of payment. No opportunity should be overlooked to emphasize and bring this feature into prominence when the account is opened, and reiterate it frequently on invoices and statements so that it is indelibly impressed on the mind of the customer.

Customers granted credit should be educated to understand that a charge account is an accommodation, a courtesy extended for their convenience, a privilege which is sacred and should not be abused.

When accounts are not paid when due, as previously agreed, there should be no hesitancy in politely but firmly demanding settlement. Unfortunately the old saw, "procrastination is the thief of time," applies to many individuals who are privileged to deal on credit. Then again your competitor may have offered more favorable terms as an inducement to buyers or consumers in your locality. These are reasons why a collection department becomes a necessary adjunct to a credit department, and here is where the exercise of diplomacy is most desirable and might appropriately be designated as an art.

Many a credit man has sat up nights and scratched his head trying to devise a collection procedure which will be effective and at the same time inoffensive to the customer or, in the vernacular, make him "pay up and like it." You, as the vendor, are in a delicate position. The customer has possession of your goods—virtually your money. How can you get him to pay and at the same time retain his good will and future business? This has always been a debatable question and the season for discussion is always open.

Discussing credit policies in a recent address, a former Manager-Treasurer of the National Retail Credit Association, St. Louis, said:

"The laws governing sound consumer credit are fundamental. Credit policies under present business conditions should be the same as always. They are the same in good times as in bad, and are based wholly upon the customers' *ability and willingness to pay.* We simply apply the same old rule of *ability and willingness to pay,* with the accent on *ability,* which may have been changed by conditions."

The credit executive should, therefore, scrutinize the application for a new account more thoroughly and watch more carefully the accounts of old customers, owing to swift changes in conditions. The applicant or account considered a gilt edge risk a year or two ago, may be questionable or possibly worthless today. Up-to-date credit information is therefore absolutely necessary.

On the other hand, there are hundreds and thousands of prospective customers who still have the ability to pay their bills. If there was ever a time for credit executives to show their alertness and ability in granting credit and handling collections, it is now.

Experience leads to the observation that there is a vast difference between the extension of credit as applied to necessities—consumable commodities—and those more tangible in character. The food chain stores have solved the problem by adopting the cash and carry plan, but few fuel dealers have had the temerity to discontinue the old-time custom of delivering their merchandise and letting their customers pay when convenient, often after the fuel is consumed.

Their customers have been educated to buy as the spirit moves them and pay when they get ready, *if at all,* hence the necessity of a credit department and a collection department, and in some instances, a legal department, and finally an account in the ledger titled "Bad Debts" or "Profit and Loss."

The credit executive of the concern dealing in a necessity like fuel is often under pressure and is importuned by customers who want credit because they are in sore need of fuel to keep them and their families warm and because they haven't at the moment ready cash to pay (and in some instances don't know when or where they are going to get it). Such applicants might, with no intent of irreverence, be described as "God's frozen people," but the credit executive must keep an even keel and not allow his charitable inclinations to influence his decisions in granting or declining to extend credit.

Customers asking for credit might be logically classified under two headings:

First: Those who have the ability and willingness to pay and are accustomed to having charge accounts and paying by check when bills are due.

Second: Those who may have the willingness to pay but lack the ability. In other words, they ask for credit but can't pay, but hope their fortune will change before the obligation becomes due.

Unfortunately, we might add a third class who possess neither ability nor willingness to pay *and have no intention of paying.*

In conclusion, here is something worthy of serious consideration by both the Sales and Credit Departments. Which looks worse, fuel in the bin or stock pile unsold or an uncollectible account standing out on the ledger like a signal of distress waiting to be charged to "Profit and Loss"? Your answer is obvious!

We emphasize—FUEL IS NOT SOLD UNTIL PAID FOR!

(EDITOR'S NOTE: The CREDIT WORLD is at the service of all its members—in all lines of retailing. We gladly print Mr. Ross' article and will welcome contributions from members in other retail classifications. If possible include actual forms used.)

Credit News Flashes--
Personal and Otherwise

President Nance of Nashville Puts New Interest in Meetings

Ben C. Nance, new president of the Nashville Retail Credit Association, Nashville, Tenn., has made plans so that the meetings for the next eight months will be sponsored by the different lines of business and programs will bear on the credit problems of each particular line.

The September meeting was sponsored by the Collection and Law Group and Mr. Nance, after a short business meeting, surrendered the chair to N. B. Blackford, Chairman of the Collection Group.

Morris Plan Bankers' Convention

Officials of most of the 98 Morris Plan banks in 127 cities, are expected to attend the 1935 National Convention of the Morris Plan Bankers Association at Virginia Beach, Va., October 7, 8 and 9.

This convention will mark the Silver Anniversary of the founding of the first Morris Plan bank, and will also be in the nature of a homecoming, since it was in the nearby city of Norfolk that Arthur J. Morris, 25 years ago, founded the first Morris Plan bank with a capital of $20,000. Since then, the Morris Plan banks of the country have loaned over two and one-half billion dollars to more than eleven million people.

Death of George B. Bagley

George Byron Bagley, Credit Manager of the Louis Pizitz Dry Goods Company, Birmingham, Ala., died in a Birmingham hospital, September 10, following a major operation. He is survived by his widow, two sons, and his parents.

He was a former president of the Associated Retail Credit Managers of Birmingham and, at the time of his death, was a member of the Board of Directors and Chairman of the Membership Committee.

"There was no stronger booster for the National Retail Credit Association and the local Association," writes W. V. Trammell, "nor anyone who tried more earnestly than Mr. Bagley to live up to the high ideals of the credit profession."

Kruse Teaches Credit and Collection Class

A. J. Kruse, Secretary of the Associated Retail Credit Men of St. Louis, will again teach the class in Credits and Collections at Jefferson College, St. Louis, according to an announcement by Ferron Troxel, Dean of the Evening Division—Commerce and Finance. The class will meet two hours, once a week.

Opportunity for a Collection Man

The National Office has a letter from a bureau member who wants a man capable of taking entire charge of his collection business, in a town of 20,000 in the Northwest. (Or he will sell collection business outright.) Address: Box 101, The Credit World.

Alexander Kaylin Compliments Department Store Group Proceedings

Alexander Kaylin, in his column, "Past Seven Days?" in *Retailing,* issue of September 30, says some very complimentary things about the activities of the National Retail Credit Association and especially about the "Proceedings of the Department Store Group Conferences."

We quote below from some of the passages:

"You should provide yourself, pronto, with a copy of the proceedings of the 22nd annual convention of the National Retail Credit Association. . . . They are chock full of information on various phases of credit department operation.

"Ninety-two pages of lively discussion on credit principles and operating procedure give you the answers to most of the difficulties that are besetting the retail trade. . . . In an article limited to two columns, it is obviously impossible to indicate, even sketchily, the liveliness of the discussions. . . . In any event, this writer does not hesitate to tell you that the material contained in these 92 pages cannot be found in a college textbook or in a formal study. And because of its informality, it is very much more desirable. The proceedings also contain the principal convention addresses. . . .

"There's much more in these proceedings than has been suggested in the remarks set down but there is room here only for a final recommendation to credit men in every type retail organization:

"Get the N. R. C. A. Proceedings and read the discussions . . . they do have concrete plans for improving your business, both in dollars and in customer good will."

Personal Items

L. J. Marsch, formerly Credit Manager of the Logan Jones Dry Goods Company, Kansas City, is now in charge of the Atlas Budget Accounts for the Standard Oil Company in that city. Mr. Marsch is President of the Retail Credit Association of Kansas City.

G. D. Pegler, President of the Lincoln (Neb.) Retail Credit Association, recently addressed a noonday meeting of the York County Retail Credit Association, York, Neb., on the practical aspects of the Lincoln Community Credit Policy. He was accompanied by a number of Lincoln's credit executives.

Harry A. Marsh has resigned as Credit Manager of John W. Thomas & Co., Minneapolis and, with Mrs. Thomas, will leave this month to live on their fruit farm in Florida. His successor at Thomas' has not been appointed.

National Director Grant C. Braman, Credit Manager, The Bedell Co., Portland, Ore., addressed the Twelfth Annual Convention of the Oregon Retail Credit Bureaus, held at Albany, Ore., September 8 and 9, on "Credit Control." He reports a very successful meeting, well attended.

Tri-State Credit Bureaus Hold Twelfth Annual "Round-Up"

The Associated Credit Bureaus of Colorado, Wyoming, and New Mexico, held their twelfth annual "round-up" at the beautiful Medicine Bow Lodge in Wyoming, August 18, 19 and 20.

The photograph shows (left to right): Charles E. Waggoner, Wichita, Kan.; Cliff Lierd, Casper, Wyo.; and Russell H. Fish of Denver.

Charles O. Stiles, St. Louis, representing the National Consumer Credit Reporting Corporation, spoke enthusiastically of the progress that corporation had made in the past year.

Russell H. Fish, Manager of Credit Sales, The May Company, Denver, and President of the Ninth Regional District of the N. R. C. A., addressed the meeting on the importance of cooperation with the National Association. He emphasized the advisability of all bureau managers interesting their members in membership in the National and urged the formation of local associations of credit men—affiliated with the National Retail Credit Association.

Oklahoma City Credit Men "Roast" Tulsa Guests

Tulsa credit managers were "put on the spot" by their Oklahoma City contemporaries at a gridiron banquet at the Oklahoma City Chamber of Commerce, September 19, according to an item appearing in the *Tulsa Press.* These "get-together" meetings are regular affairs, each city taking turns as host.

Thanks, St. Louis Statler!

The National Office, on behalf of members who attended the American Legion Convention in St. Louis last month, wishes to express, publicly, thanks to the management of the St. Louis Statler for their special efforts in taking care of National members, although the hotel was filled to overflowing.

Again we suggest that whenever you are in a Statler city you make known to the Statler management your affiliation with this Association. It will assure you accommodations if any are at all available, and all the courtesies extended to members of this Association. (This applies to anyone connected in any way with a member store or organization.)

A. L. Pond, Credit Sales Manager, Thalhimer's, Richmond, Va., won the N. R. C. A. gold emblem ring offered to the first District Director securing five new National members.

The Cottrell Clothing Company of Denver celebrated its forty-third anniversary with a grand opening of its new store in the latter part of August. Ten of Mr. Cottrell's "first" customers were present.

If you are interested in the new "3-Pay" plans (pro or con) get a copy of *Men's Wear and Chicago Apparel Gazette,* issue of September 25, and read the articles on pages 45 and 46.

Fort Worth, Tex., and Chattanooga, Tenn., are the latest cities to organize credit women's clubs. (Full details in next issue.)

Frederick W. Walter, previously Credit Manager for H. & S. Pogue Co., Cincinnati, has joined the Bailey Co., Cleveland, as Credit Manager for their three stores. He succeeds the late Fred Redmond.

Edward H. Hanauer, formerly Assistant Credit Manager, The Jones Store Co., Kansas City, is now Credit Manager of the Fair Store in Cincinnati.

The New "Gold" Membership Sign -- Our Most Popular Insignia

For the use of National members, we have developed a new National Membership Sign. Printed in deep purple, on heavy-weight gold cardboard, it makes an attractive, attention-getting emblem—worthy of a place in any credit office. Actual size, 6 inches wide by 7 inches deep—punched for hanging, if desired.

Prices: One, 15 cents; two, 25 cents; five, 50 cents. Special prices to local associations in lots of 100 or more

—with the name of the local association (instead of the National's) imprinted. Write for prices: National Retail Credit Association, 1218 Olive Street, St. Louis, Mo.

Efficient and Unified Reporting Service

By L. S. GILBERT

Manager, Credit Service Exchange, Atlanta, Ga. (Chairman, Inter-Bureau Reporting Department, N.C.C.R.C.)

Extracts from an Address at the Twenty-Second Annual Convention--Rochester, N. Y., June 18-21, 1935

WE ALL know about the local credit bureau; it has become as much a part of our lives as eggs for breakfast and, like the eggs—when they are properly prepared—it causes us as little concern, when it functions properly. So we see the credit bureau; we are conscious of what it does for us; but do we know more than that?

Associated with, back of, and surrounding that local credit bureau are 1,202 other similar organizations covering every inch of reporting territory, every post office and every community in all these United States. Now, let's stop and ponder that for a moment. It would be natural to expect competent organizations in the metropolitan areas, in the leading cities and even in the medium sized places, but would that make up a list of twelve hundred?

According to Public Library figures, based on the 1930 census, there are in the United States 283 cities having a population from twenty-five to fifty thousand and 93 with fifty thousand or more, a total of 376 cities of twenty-five thousand or more. Of our twelve hundred bureaus then, eight hundred and twenty-four, or 68 per cent, are in cities or towns having less than twenty-five thousand population. I do not know the number in cities under ten thousand but I do know, from having seen the applications for memberships from all new bureaus during the past four years, that very, very few are from cities as large as ten thousand. There is, then, a regularly organized credit reporting bureau affiliated with our organization in every city and town in the country large enough to support it.

But that isn't all. All of these bureaus have established correspondents in the smallest towns and hamlets, in every community in fact, in the territory immediately surrounding their own city. They have set up an organization making it possible to secure information on an individual, no matter where he lives or what he does. It is practically impossible for an individual living anywhere in this whole country to escape our organization if he has settled in any one community long enough to become known. That, my friends, is a real organization.

And here is cheerful information for Secretary Perkins: These twelve hundred bureaus employ more than sixteen thousand full-time employees and more than thirty thousand on a part-time or fee basis. Sixteen and thirty make forty-six thousand people engaged in handling credit information for the mercantile, financial and professional members of all our credit bureaus, and the annual pay roll for all these people is given as $14,800,000.00.

Office equipment and appliance people are among our best friends because we have spent with them and have now invested in such paraphernalia $15,000,000.00. We have as members 180,000 business and professional men, or an average of one hundred and fifty for each bureau from the largest to the smallest. Twelve hundred bureaus serving 180,000 members with a $14,800,000.00 pay roll and $15,000,000.00 invested in equipment!

Review in your mind the operations of the bureau with which you are most familiar—consider its functions. It is accumulating each day the various items of information that make for credit control: Court records, real estate transfers, credit ratings, births, deaths, marriages, divorces, moves, repossessions and all the other pertinent items that are considered the stock in trade of a good reporting organization. Twelve hundred bureaus going through the same daily routine, but if you attempted to match them up as we used to do in the good old game of Authors, you could not find two exactly alike.

Most national organizations started out as local units and added branches as their business developed; and, as they added, they standardized—systems, forms, even equipment were identical in all units—but we are different. Our bureaus are set up primarily to serve local interests and it is natural that they should adopt the routine and equipment necessary for that purpose.

Some of them, like "Topsy," just grew, but for the most part they have followed a definite plan. Their managers have been eager to learn from the experience of other managers and have instituted the best features of the other fellow's service. Another interesting and unusual thing about our organization is that we have tied together twelve hundred executives, *not branch office managers.* Each bureau manager, in his home field, is the absolute "tops." He operates a business. He doesn't follow a plan or accept orders from a distant headquarters. He is an executive, he thinks for himself!

It is unnecessary to outline to this audience the very great change that has taken place in methods of distribution during recent years. Time was when local dealers and merchants were distributors for practically all products used in their community. They bought and sold, rented a store building, used local facilities necessary to their business. They were the outlet. But now, in numerous cases, the manufacturer sells directly to the consumer through his own salaried employee. In some lines it is necessary for this sales agent to establish a store or other facility for doing business, in others not. But in nearly every case the agent is working under orders

from headquarters and has not the authority to sign local contracts.

To the bureau this presented a real problem. If the North Pole Air-Conditioning Corporation of New York were to establish sales agencies in fifty of our most prosperous cities to sell air-conditioning units at $100.00 each, they would need credit reports on a large number of the residents in each of the fifty cities. Now, fifty bureau managers are not all asleep at the same time so, almost simultaneously, fifty calls are made on fifty agents to sell that service. And, in every case, the manager is met with this statement, "All contracts have to be signed in the home office. Leave yours with me and I will send it in." Well, the manager does as requested and goes away feeling that in due course he will have another of those lucrative contracts.

But wait!—Five years ago, before business actually started down the toboggan, there were other reporting agencies, national in scope, concentrating on other types of reporting. Everything was running smoothly. There was enough for all, each in his special field. But the depression seemed to hurt the other folks more than it did us. At least, it stirred them to action more quickly than it did us. Here they were with large organizations to support but retailers weren't buying from wholesalers and you and I weren't buying insurance so—on whom could they report?

They looked around and found that the credit bureaus were still reasonably busy and a little thought brought the conclusion that the consumer was the fellow to report on, anyway, so they started making credit reports. Now, about the time the fifty contracts from the fifty bureaus, worded fifty different ways and calling for fifty different rates, reached the home office of the North Pole Air-Conditioning Corporation, a representative of one of these other agencies called on the North Pole people and said, "See here, you don't want to sign all those contracts, write fifty checks, and then look to fifty different organizations for service; sign with me, one contract, one price, one responsible organization with whom to deal and here is some mighty fine literature to back up everything I have told you." Now, I will leave it to you, able business men, to decide who got the business.

Credit bureaus see this thing in two lights. While they are not exactly eleemosynary institutions, they are actuated by the *service motive* above the making of a profit. Profit is necessary but, to the bureau, even more necessary is complete coverage of information. John Citizen has lived in one community all his life. He has followed the usual procedure of buying on credit. Under the old regime, with the credit bureau reporting to all users of credit information, the bureau had a pretty definite record of all his commitments; could issue warnings when his obligations reached the danger zone; could even have a friendly chat with John and warn him of his danger.

Now, with the "Best Reporting Company," the "National Reporting Company" and maybe one or two local organizations reporting on John to the North Pole organization, the Loudest Radio Corporation, the Brightest Paint Company and others, the bureau has lost control over John, and so have the department and other stores who have sold him and served him for years. *The bureau report now will show his commitments so far as possible but will have no record of purchases made and approved through the use of other reporting service.*

This is recognized as a dangerous condition. John's regular accounts may not show unusual balances when he comes in to equip the oldest daughter for her next year at school, and it won't be until the collection department starts prodding him for payment that it develops that John has two or three other contracts requiring all his money over actual expenses. The bureau, to attain the maximum of efficiency, must have complete coverage in its community. Realizing that the condition just described was due, in part, to our own inadequate organization nationally and our lack of standardized service with uniform rates, in other words, our inability to offer the North Pole people the same service as our worthy competitor, The National Consumer Credit Reporting Corporation was formed at the Washington convention three years ago.

Under this plan, 960 of our bureaus have purchased stock in the corporation; have provided reporting facilities through correspondents in their contiguous territory; have adopted standard report forms and uniform rates; and are now a unified, national organization. Our sales representative is now in position to present to the user of credit information, either large or small, one contract with one price, which will produce the same type report from El Paso, Texas, or Portland, Maine. We are, actually, *a national reporting organization.*

It is not my purpose to give you a sales talk, other than to point out the obvious fact that our facilities for rendering a credit reporting service are superior. With our years of accumulation of credit data, our experience in the work, our trained personnel and our one hundred and eighty thousand present users to boost for us, it is only necessary to tie them all together to accomplish our purpose. That we are already recognized on a parity with other national companies is attested to by the fact that we were one of three selected by the Government, after careful survey, to provide the necssary service on mortgage reports under the FHA. We also served the Government last year with HOLC reports and did a good job of it.

Large distributors of oil, fertilizer, paint and various other commodities are lining up with us, and while it was late in 1933 before we actually got under way, we have really handled a large volume of business. To tell just how much would be revealing a family secret.

To the individual bureau, the benefit of this development is twofold. It retains in the local files the records of credit extension which are necessary to credit control and it brings additional revenue.

Perhaps some of you have experienced the inconvenience of competitive telephone systems in your home cities. It is probably no longer true but there was a time when independent companies operated telephone systems in competition with the Bell System. Some folks used one, some the other. Some business concerns used one and some the other. In order to make sure that you could communicate with all your friends, or make the necessary business calls, you were compelled to install both phones, pay a double rental and endure the nuisance of having two instruments when one would do. The telephone is such a vital part of our daily existence that com-

(Continued on page 30.)

CREDIT DEPARTMENT LETTERS

[A New Department - - Devoted to Credit Sales Department Correspondence - - Conducted by Daniel J. Hannefin]

OCTOBER is an ideal month, not only for the solicitation of new charge account business but also for the reviving of inactive accounts. For, during this month, everything is in your favor. Your stocks are complete, the "new season" merchandise is in, the "Fall Sales" are attracting the attention of the buying public.

But the greatest factor in your favor is that, at this season, people are in the mood to buy! The buying urge is rampant so—why not make the most of it?

Now, also, you have a multitude of selling appeals to which you can hitch your promotional letters: The need for Fall and Winter necessities, from coal to clothing or blankets or a hundred other items you can name offhand—the new styles, furniture needs when the family "moves indoors" after a summer spent outdoors, and so on.

And charge account promotion letters are most effective when they capitalize the buying urge, when coupled with a merchandise offering which makes the convenience of a charge account desirable in order that the prospect may acquire that particular merchandise.

Mentioning specific items of merchandise or specific sales in the body of the letter is one way. Another is to enclose with the letter a piece of sales literature describing special merchandise or, what is more effective, an advance proof of newspaper advertisements of sales offerings.

Your advertising department can arrange to secure these for you, from the newspaper in which the advertisements are to run—*in advance of the sale*. Then you can, by having your letters prepared in advance, time your charge promotion letters so that they will arrive at the proper moment to create "action," the final step in the selling process.

(Credit *Sales* Managers should be fully cognizant of the elementary rule which describes the four steps in selling as Attention, Interest, Desire and Action.)

And, after you've created the *desire* for a charge account, remove all obstacles which might impede *action*. Make it *easy* for the customer to open the account so that she can use it at once—to complete the purchase of the merchandise she wants *before she changes her mind*.

In other words, reject credit prospects you don't want—*beforehand*. Don't waste time and money soliciting and interviewing a lot of customers and rejecting a large percentage of them. Eliminate that class beforehand by a careful credit check of your prospect list. (Your credit bureau has all the necessary information to enable you to do this.)

Then, by soliciting only gilt edge prospects, you can come right out and tell them, without hedging, that they are welcome to say "Charge it."

Notice, in *Figure 1*, on the opposite page, how easy it seems to take advantage of the convenience of a charge account: "Any time you buy here, just say 'Charge It.' There will be no formality, no red tape, no 'credit card' to carry or present to a salesperson."

Inactive accounts, too, can be brought back, by taking advantage of the buying urge—by creating the *desire* to use the account to buy your merchandise which your advertising or letters have brought to the *attention* of your customer and aroused her *interest*.

After all, many inactive accounts *are* inactive because of imaginary grievances and it is surprising how these grievances melt away when the customer *wants* to buy your wares!

Most inactive account letters, by the way, lack sincerity. The president of the company is amazed to suddenly discover that "you haven't been using your charge account here for some time past." And the customer says, "Hooey!"

By way of contrast, note the naturalness of the letter (*Figure 2*) reproduced at the right. "The attached memorandum" does sound more like the manner in which the vice-president of a store having thousands of charge accounts discovers that Mrs. Jones is not using her account. *Doesn't it?*

Note too, the dignified sincerity and politeness of the second sentence: "I cannot help but feel that there must be some reason for this and I am writing you because I am sincerely interested in knowing the cause."

Figure 3 is a good collection letter—one that any retailer can use—while *Figure 4* is something different: A sincere attempt to solve the "returned goods" problem.

Note: Again we appeal to CREDIT WORLD *readers: We want to obtain good letters used in different lines—in all lines—of retailing. Your contributions will be welcome!*

Nebraska Clothing Co

OMAHA

①

Every establishment takes considerable pride in the names which make up its charge patrons. We are not different in this respect.

For your convenience in opening a charge account we are enclosing a card, one that we actually use in our office file. Just sign it yourself and have any members of your family whom you wish to share this convenience sign also -- return in the enclosed, stamped envelope and your account will be opened at once.

Any time you buy here, just say "Charge It". There will be no formality, no red tape, no "credit card" to carry or present to a salesperson; THE MERE RETURN OF THE CARD OPENS TO YOU THE CONVENIENCE OF OUR 30 DAY SERVICE TO OUR PATRONS.

You'll find our wonderfully complete stocks and most modern store as much of a convenience as your charge account.

Trusting to be favored with your patronage, we are

Very truly yours,

NEBRASKA CLOTHING COMPANY

Credit Manager.

HOW:AM

The Hecht Co.

F STREET AT SEVENTH

WASHINGTON, D.C.

December 12, 1934.

②

As you can see from the attached memorandum, my attention has been called to the fact that you have not used your charge account here for a long time. I cannot help but feel that there must be some reason for this and I am writing you because I am sincerely interested in knowing the cause.

We have a store that ranks with the finest in the country; merchandise of national fame; a spirit of service that's sincere and friendly.

I shall be pleased indeed if you'll tell me frankly if anything is wrong; if not, I trust we may see you and serve you soon.

Cordially yours,

Harold H. Levi

Harold H. Levi
Vice President
THE HECHT CO.

HHL:bg

P.S. For your convenience in answering this letter I am enclosing stationery for your reply. The envelope requires no postage.

KRESGE DEPARTMENT STORE

NEWARK, NEW JERSEY

③

A good Credit Record is like the "Sterling" mark on silver -- it is the measuring line by which you are judged by other merchants.

Charge Accounts today are based on standard monthly terms. Perhaps you are not aware that part of your account is past due, and that we are required under the rules of the "Merchants Credit Bureau" to report all delinquent accounts. We feel certain that you would not intentionally permit your name to be included in this classification.

We value your patronage -- we enjoy serving you -- won't you reciprocate this friendly feeling by sending us a remittance now? While the entire account is due, your check for $ will settle the amount outstanding at ·

Very truly yours,

KRESGE DEPARTMENT STORE

Credit Manager.

James McCreery & Co.

5th Avenue NEW YORK 34th Street

④

Our auditors have referred your account to me today with the notation, "excessive returns," and I am writing to you to inquire if there is any way in which we are at fault and if possible to devise a way of correcting the situation.

Our analysis of your account shows that from ------ to ------, your purchases have amounted to $-------. Of this amount you have returned for credit $------ or ----%.

It is not our wish to curtail the privilege of returning articles which may prove unsatisfactory, in fact, we encourage it as you have a right to expect perfect merchandise from us; however, I do not believe that you realized the proportion of returns was so high and no doubt you will agree with us that it is excessive.

There would seem to be justification for a frank discussion as to just what causes the large proportion of returns on your account. May I suggest that you call when it is convenient for you to do so and I shall be pleased to do anything possible to make your shopping here more satisfactory to you.

Very truly yours,

JAMES MC CREERY & CO.

HEA:R

Credit Manager.

Looking at Tomorrow's Credit Business

(*Continued from page 8.*)

necessary aid to recovery is quite startling to most of us.

Among future operations conducted by Federal agencies which will rely heavily for their success upon consumer credit extension, are those which affect the real estate market of the country. There are seven distinct Federal agencies—most of them of recent origin, that operate in some fashion to affect the future of real property. The two that are best known are Home Owners' Loan Corporation, and the Federal Housing Administration. The former loans on distressed mortgages, while the latter insures character loans made by banks for modernizing purposes, as well as mortgage loans incidental to the purchase of new homes. The first distributes Federal funds, while the second merely protects private capital going into real property investments. In all operations consumer credit is the motivating force. Some idea of the scope of the credit activities of these two Federal agencies may be had by a review of what they have done.

The *Federal Home Loan Bank Review* of April, 1935, says, "The HOLC loaned some 850 million dollars on mortgages." When it is considered that the average loan probably amounted to $3,000.00 or less, your long division will reveal some 280,000 transactions all made possible through consumer credit. The FHA, according to its factual press releases, has insured about 200,000 character loans for modernizing. Add to this the mortgage loans meriting insurance which have been accepted, and we have over half a million transactions. It would be exceedingly difficult to find two private corporations making a like use of consumer credit for the same period.

How about the consumer credit business of tomorrow? We have seen the Government, through its agencies, make use of consumer credit to stimulate buying. We have seen these agencies, as they say, "take the initiative to assist those caught in declining or near extinct markets." Naturally, these Federal agencies will dominate their respective markets by their activities.

What will be the effect of all this upon the paying habits and credit morale of the citizens of the country because of their having drunk so deeply from the artificial reservoirs of Government-created consumer credit? The Government is setting the example for private business. In fact, it has forced private business to be more liberal in credit terms. There is certain to be a greater use of consumer credit than ever before. Rather than being an adjunct to retail business, consumer credit in the future will be the vibrating pulse that motivates it. Marginal profits may decline, but the sales volume should steadily increase. Losses resulting from poor business judgment, from unintelligent credit extension, can no longer occur, if survival in competitive fields is the common goal.

Consumer credit is a great force. It is as near to each of us as food, shelter, and clothing. It is an essential part of our economic system. Its improper use may, however, become a destructive force. Unless it is held within proper bounds, it may destroy the economic and social system which gave it birth.

Business must recognize this fact! It may not, just because a benevolent Government offers to insure its losses, wash its hands of its responsibility. *Unless every precautionary measure is thrown around consumer credit extension, unless every known safeguard is used, consumer credit may become the vulture which will tear open and destroy the vitals of retail business.*

Efficient and Unified Reporting Service

(*Continued from page 27.*)

mon sense dictated the consolidation of systems and today we have only one.

Are we presumptuous in assuming that one unified reporting system is as necessary to the safeguarding of accounts?

As users of credit reporting service, as vital sources of credit information, you ladies and gentlemen who are credit sales managers hold the situation in your hands. You are, or will be, importuned to try this and that reporting service, to give your experience on your accounts to the same companies.

You are the final authority in such matters—no one, big or small, can dictate to you what shall be done. But it is only fair to call to your attention that each such deviation from the regular path helps to build up an opposing force that sooner or later must be reckoned with!

National Membership Pays!

(*Continued from page 3.*)

The 1936 membership drive is gaining momentum. For the three months ended August 31, the following Associations reported ten or more members:

Baltimore, 10	New York, 35
Memphis, 12	Oakland, 38
Milwaukee, 10	St. Louis, 16
Minneapolis, 31	San Francisco, 11

Within the past week one of our most active Associations, Kansas City, reported twenty-seven new members, and Secretary M. G. Riley stated that other applications have been signed and will be reported when accepted by the Association.

Another live Association, Akron, reported twelve members within the past few days.

Many cities report plans under way for an intensive drive and letters from several District Presidents indicate that they will be hard to beat. More power to them, and may the best man win!

Cities not having local units affiliated with the National should write for membership material and booklet, "Value of Retail Credit Associations—How to Organize and Conduct Them." (This booklet shows the letters used by Memphis.)

The National Office will assist in every way possible in building Local and National membership and an effort will be made to have a representative of the National or the District visit interested cities.

Don't delay. Start now and make every minute count! See August CREDIT WORLD for list of prizes.

"The *Department Store Group Proceedings* is a credit to the Association—an up-to-the-minute treatise on credit. I do not see how any credit executive can afford not to buy this book."—H. J. Burris, Manager Credit Sales, John Taylor Dry Goods Co., Kansas City.

The Collection of Public Utility Bills

(*Continued from page 15.*)

requirements, and then promptly proceed to create a bill far in excess of the deposit.

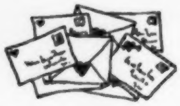
Should service be discontinued the matter of losing personal identity by the procedure of changing names is no barrier. The burden of proof then lies with the utility, and it is very difficult to take a definite stand in refusing service. I feel justified in reiterating my previous statement that *"closed accounts are best collected while the account is current."*

A procedure of prompt, courteous contact and co-operation whenever possible and justified, but an insistent pressure brought to bear where it appears that there will be an intentional evasion of the bill, will materially reduce the troubles in connection with the collection of closed accounts. Accounts closed by reason of nonpayment are, as a rule, eventually charged to profit and loss. Constant vigilance and diligence are essential to avert losses where it is apparent that there is no intention to pay, or no reciprocation is forthcoming from the customer in response to repeated requests for payment.

A record, separate from the billing department records, is made up for the purpose of a regular follow-up procedure in the collection of closed accounts (*See Form 7*). We endeavor to give closed accounts the same consideration given prior to the closing of the account. Drastic action is always avoided as much as possible. Letters from officials occasionally receive a response where repeated letters from the collection department may fail. (*See typical "official's letter"—Figure 8, page 15.*)

We know the customer must deal with us if he wishes the service we have to offer; and it must be paramount with us to try to have the customer feel that not only is he obtaining the service we deliver to his premises but that, in all our dealings, he has received courteous treatment and full consideration of his problems in connection with the rendering of utility service.

The collection of utility bills meets with a diversity of circumstances. Suffice to say it, in a peculiar way, calls for great patience and the constant exercise of good judgment. Many opportunities arise where we can be of real service; and it is indeed gratifying to know we may have been of assistance in the rehabilitation of many accounts. Through this assistance, we feel we have been able to strengthen, through a critical period, the self-respect and morale of many of our customers!



Letters That Cross The Editor's Desk

"One Firm Is Trying to Outdo the Others—"

I have observed, with considerable interest, during the past few months, the efforts to increase sales through the selling of perishable or "soft" merchandise on a time-payment basis. Somebody has said that times have changed—that the trend is for increased volume—and that this may be had by appealing not only to the regular installment buyer but also to the average charge customer. It looks as if one firm is trying to outdo the other!

One wonders if the new title, "Credit Sales Manager," has gone to our heads or whether sales managers are running things themselves.

In my opinion, the sale of perishable merchandise on the monthly payment plan is unsound. If the idea becomes general, it will seriously affect the whole credit structure—will unquestionably lead to overextension of credit.

It will lead to longer terms on so-called "hard" merchandise now sold on the deferred payment plan. It is bound to change the status of monthly charge accounts, which will eventually become "deferred" payment accounts, always owing balances. It is sure to increase bad debt losses and Credit Office expenses.

It will surely affect cash business and a great many customers now buying for cash will go strong for that kind of business. I believe it will affect prestige considerably and, consequently, will react unfavorably on our good charge customers.

Personally, I feel that we should hesitate before we open up and sell everything on installments and, as credit men, let's have the courage to caution our employers to be careful. Let us at least have the courage to tell them what we think.—A. C. WEHL, Credit Manager, Gimbel Brothers, Milwaukee.

* * * * *

A Boost for the "25c a Day" Plan

Referring to Mr. Shermantine's reference (in the September CREDIT WORLD, page 32) to opposition to a promotional sale of electric refrigerators under the "25c a day" plan:

I would like to comment, for general information, on the experience of some retailers in the metropolitan area of New York City on this selling plan.

Many stores here have financed thousands of electric refrigerator accounts with no down payment and terms for two years—payable 25c daily in meterator deposits. On the whole, the prompt pay record of this class of business is remarkable and the loss through foreclosures, voluntary or otherwise, only fractional.

Compared with regular installment accounts, we find meterator collections paid more consistently than any other class. Analyses also show reduced loss percentages on foreclosed accounts for this type of business, compared with regular furniture accounts.

This convenience of payment, arranged for the consumer's benefit, reacted very favorably for the retailer and, I am sure, many lines of business were kept active by the volume stimulated in the electric refrigerator field.—T. E. NASMAN, Credit Manager, John A. Schwarz, Inc., New York City.

The Viewpoint of an Outsider

(*Continued from page 7.*)

Try to select collection letters that *fit your own business;* that collect money and still retain the good will of the customer. After all, it is not so much what you say in a dunning letter but the fact that you consistently follow up your accounts.

Letters that are written with a sales appeal will get as good results and will have more lasting qualities than the hard-boiled kind. Many collection letters are being sent out today which, if reviewed by an attorney, might very well be classed as libelous.

I have had a number of credit men brag to me about their exceptionally high collection percentage and extremely low percentage of loss. I look with pity upon such credit granters. They do not seem to realize that their iron-bound system of collecting accounts—and their lack of gambling spirit in accepting only gilt-edge risks—probably chases thousands of dollars worth of business out of the door.

Credit statistics show that the average store loses only a fraction of 1 per cent from bad debts. Isn't that insignificant? Take a chance. Gamble a little.

It is my belief that the *moral risk* is the best risk. The young chap or young lady earning a reasonable salary, known to be steady and of good character, to my mind makes the best type of credit risk the country affords. In the first place, they are afraid not to pay their bills. In the second place they take more pride in their credit standing. (It means so much to them.)

The trend today is toward a liberal credit policy and a fair collection policy. Store owners are interested in volume. Get in the swim! Give it to them.

Installment sales are still on the increase and the trend will continue. The Fair, Chicago, gives everything but groceries on the budget plan—where the sale is in excess of $25. The Kresge Department Store, Newark, has just introduced a letter of credit plan. Department stores are selling furs and men's clothing on installments. This is a new trend that will grow in magnitude.

As a general rule, experience has shown that where an open credit house starts to sell on the budget plan, *about 75 per cent of the installment business is from new customers and only 25 per cent represents customers who formerly paid on open accounts and have switched to the easy payments.* It seems to me that is okay.

At the same time, if you get too "installment-minded," you may attract a class of customers which may affect your old clientele. It might be wise to experiment with a few items as you may not have the right set-up for a radical change in your credit structure. *Don't sell terms!* Have a minimum amount for installment sales and get a sufficient down payment.

Let me say in closing that I believe credit managers have done a wonderful job during the depression. Collections fell off only slightly during 1932 and 1933 but—during the latter part of 1933 and in 1934—bounded right back to nearly normal. Cooperation is the answer.

Let me congratulate you!

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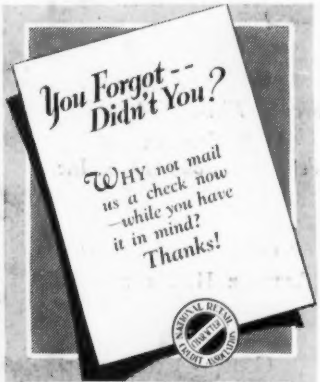

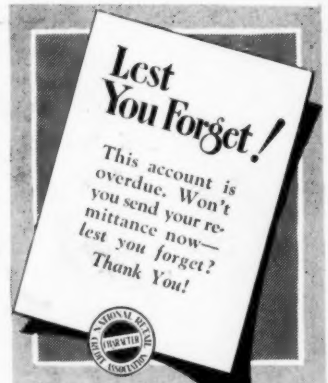

"82.2% Collections--"

Read the report, in the March "Credit World," of W. D. Sweger, General Credit Manager, Pomeroy's Department Stores, Inc., Reading, Pa.:

"These stickers were attached to statements sent to 722 delinquent accounts . . . 593 or 82.2 per cent paid in full or made partial payments!"

Five in the series, exact size as shown (upper half of this page), printed in two tones of blue on gummed white paper.

Prices, 1,000 of any one sticker, $2.00; 1,000 assorted, $2.50. Small lots—less than 1,000 assorted—50 cents per 100.

2. The "Gold" Series

An outstanding series—rich and dignified looking: Printed in royal blue, on special gold paper. Five in series (shown on lower half of this page). Actual size, 1¾" x 2". (Dotted lines are not part of stickers but are only "size indicators.")

PRICE, $3.00 PER THOUSAND

Also, shown below, the new "Gold" Emblem Sticker (exact size shown by dotted lines). Printed on special "gold" paper. Price, $1.50 per 1,000.

Order Either Series from Your Credit Bureau or the National Office

"Good Credit—

is worth more than all the gold mines in the world," said Webster.

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Keep Your Credit As "Good As Gold"!

Prompt payment of accounts, according to terms, will build a priceless credit record—

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